

**Inventory of the methods, procedures and sources  
used for the compilation of deficit and debt data and  
the underlying government sector accounts  
according to ESA2010**

***Luxembourg***

**October 2018**

## Background

Compilation and publishing of the Inventory of the methods, procedures and sources used to compile actual deficit and debt data is foreseen by Council Regulation 479/2009, as amended.

According to Article 8.1: *“The Commission (Eurostat) shall regularly assess the quality both of actual data reported by Member States and of the underlying government sector accounts compiled according to ESA 95.... Quality of actual data means compliance with accounting rules, completeness, reliability, timeliness, and consistency of the statistical data. The assessment will focus on areas specified in the inventories of Member States such as the delimitation of the government sector, the classification of government transactions and liabilities, and the time of recording.”*

In line with the provisions of the Regulation set up in Article 9, *“Member States shall provide the Commission (Eurostat) with a detailed inventory of the methods, procedures and sources used to compile actual deficit and debt data and the underlying government accounts. The inventories shall be prepared in accordance with guidelines adopted by the Commission (Eurostat) after consultation of CMFB. The inventories shall be updated following revisions in the methods, procedures and sources adopted by Member States to compile their statistical data”*.

The content of the Inventory and the related guidelines have been endorsed by the Committee on Monetary, Financial and Balance of Payments statistics in June 2012 and are followed by all EU Member States. This version introduces references to the ESA2010 as well as some updates of the relevant topics mirroring the changes introduced by the ESA2010.

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## A. List of Abbreviations

BCEE	Banque et Caisse d'Epargne de l'Etat
BCL	National Central Bank - Banque Centrale du Luxembourg
CNAP	National Pensions Fund - Caisse Nationale d'Assurance Pension
CPFEC	Pension Insurance Fund for communal civil servants and employees - Caisse de prévoyance des fonctionnaires et employés communaux
CSSF	Surveillance commission of the financial sector - Commission de Surveillance du Secteur Financier
ECB	European Central Bank
EFSF	European Financial Stability Facility
EIB	European Investment Bank
FNS	National solidarity fund - Fonds National de Solidarité
FSIL	Sovereign wealth fund of Luxembourg - Fonds souverain intergénérationnel du Luxembourg
IGF	General Finance Inspection - Inspection Générale des Finances
IGSS	General Social Security Inspection (Inspection Générale de Sécurité Sociale)
IMF	International Monetary Fund
MDDI	Ministry of sustainable development and infrastructures - Ministère du Développement Durable et des Infrastructures
MFI	Monetary Financial Institutions
MGDD	Manual of Government Debt and Deficit
MoI	Ministry of the Interior
NPI	Non-profit institution
OECD	Organisation for Economic Co-operation and Development
PPP	Public-Private Partnerships
RoW	Rest of the World (S.2)
SEGS	State administrations with separately managed - Services de l'Etat à Gestion Séparée
SNCF	Luxembourgish National Railway Company - Société nationale des chemins de fer luxembourgeois
SSI	Social Security Institutions
STATEC	National Institute of statistics and economic studies of the Grand Duchy of Luxembourg - Institut national de la Statistique et des Etudes Economiques
UEBL	Belgium–Luxembourg Economic Union - Union économique belgo-luxembourgeoise
VAT	Value added tax

## **B. Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data**

This chapter provides a summary description on the general government sector components and specifies institutional responsibilities and basic data sources used for EDP tables and for the compilation of general government national accounts. Special attention is given to EDP tables: detailed description of components of the working balance and the transition into B.9 (net lending/net borrowing); compilation of Maastricht debt and of stock-flow adjustments; explanation of the link between EDP table 2 and 3, balancing process and statistical discrepancies.

### **1. General Government**

This section describes the coverage of the General Government sector and the sub-sectors for Luxembourg.

The general government sector is composed by 3 sub-sectors: S.1311, S.1313 and S.1314. It includes:

#### **1.1. Central government subsector (S.1311)**

Central government (S.1311) includes as per 01.01.2018:

- the core entity (ministerial departments, judicial authorities, legislative bodies and 33 special funds);
- other entities of budgetary central government, i.e. entities without separate legal identities or without substantial autonomy like State administrations separately managed “Services de l’Etat à Gestion Séparée – SEGS” and other public institutions like the main executive body and the Court of Auditors;
- entities with separate legal identities and substantial autonomy of extra-budgetary central government, i.e. non-market public producers and non-profit institutions controlled by central government.

For further details please refer to the Annex I.

#### **1.2. State government subsector (S.1312)**

There is no state government sub-sector (S.1312) in Luxembourg.

#### **1.3. Local government subsector (S.1313)**

Local government (S.1313) includes as per 01.01.2018:

- 102 municipalities (the number of municipalities is steadily being reduced by the merger of municipalities);
- 30 social offices; and
- 56 inter-communal associations.



Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

For further details please refer to the Annex I.

#### **1.4. Social security funds subsector (S.1314)**

Social security funds (S.1314) includes as per 01.01.2018:

- 7 main social security institutions;
- the Centre Commun de Sécurité Sociale (CCSS);
- the Investment vehicle of the National Pension Insurance Fund “Fonds de Compensation de la Sécurité Sociale, SICAV-FIS”;
- the Pension Insurance Fund for communal civil servants and employees “Caisse de prévoyance des fonctionnaires et employés communaux - CPFEC”; and
- the canteen and the nursery of the social security institutions (non-autonomous entities).

For further details please refer to the Annex I.

Further details relating to practical aspects of sector classification for individual units into general government sector could be found in Chapter C, section 5.

## 2. Institutional arrangements

This section provides general information on institutional arrangements relating to the production and dissemination of government deficit and debt statistics:

- responsibility of national authorities for compilation of individual EDP tables and underlying government national accounts, as defined by ESA2010 Transmission Programme;
- institutional arrangements relating to public accounts which are used by statistical authorities for compilation of government national accounts and EDP tables;
- general overview about bookkeeping system used by public units, internal quality checks and external auditing;
- communication between individual national authorities involved in EDP;
- publishing of deficit and debt statistics.

### Legal basis for the compilation of GFS and EDP data

There is no law referring to the collection and compilation of fiscal data and Government Finance Statistics (GFS).

### 2.1. Institutional responsibilities for the compilation of general government deficit and debt data

This section describes institutional responsibilities for compilation of Government Finance Statistics (national accounts for general government and EDP tables). Further related information is described in section 2.3 Communication.

National accounts data for general government are transmitted to Eurostat<sup>1</sup> via the following tables (see the related EU legislation)<sup>2</sup>:

Table 2 – Main aggregates of general government (annual data)

Table 6 – Financial accounts by sector (annual data)

Table 7 – Balance Sheets for financial assets and liabilities (annual data)

Table 801 – Non-financial accounts by sector (quarterly)

Table 9 – Detailed Tax and Social Contribution Receipts by Type of Tax or Social Contribution and Receiving Sub-sector (annual data)

Table 11 – Expenditure of General Government by function (annual data)

Table 25 - Quarterly Non-financial Accounts of General Government

Table 26 – Balance sheets for non-financial assets (annual data)

Table 27 – Quarterly Financial Accounts of General Government

Table 28 – Quarterly Government Debt (Maastricht Debt) for General Government

Data on government deficits and debt levels are reported to Eurostat twice a year (in April and October) in EDP notification tables<sup>3</sup>.

<sup>1</sup> <https://ec.europa.eu/eurostat/web/government-finance-statistics/data/database>

<sup>2</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:174:0001:0727:EN:PDF>

<sup>3</sup> <https://ec.europa.eu/eurostat/web/government-finance-statistics/excessive-deficit-procedure/edp-notification-tables>

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

**Table 1 – Institutional responsibilities for the compilation of general government national accounts and EDP tables**

Institutional responsibilities <i>(the appropriate cells are crossed)</i>			NSI	MOF	NCB	Other
Compilation of national accounts for General Government:						
Nonfinancial accounts	annual		X			
	quarterly		X			
Financial accounts	annual		X			
	quarterly		X			
Maastricht debt	quarterly		X			
Compilation of EDP Tables:						
EDP table 1	actual data	deficit/surplus	X			
		debt	X			
		other variables	X			
	planned data	deficit/surplus		X		
		debt		X		
		other variables		X		
EDP table 2 (actual data)	2A central government		X			
	2B state government					
	2C local government		X			
	2D social security funds		X			
EDP table 3 (actual data)	3A general government		X			
	3B central government		X			
	3C state government					
	3D local government		X			
	3E social security funds		X			
EDP table 4			X			

NSI - National statistical institute including units subordinated to the NSI (the latter is to be specified in comments)

MOF – Ministry of Finance/Economy including units subordinated to the MOF (to be specified in comments)

NCB – National Central Bank

Other – other national body, to be specified in comments

The following institutions are involved in the compilation of general government deficit and debt data:

- National Institute of statistics and economic studies of the Grand Duchy of Luxembourg - Institut national de la Statistique et des Etudes Economiques (STATEC);
- General Finance Inspection “Inspection Générale des Finances - IGF”;
- General Social Security Inspection “Inspection Générale de Sécurité Sociale - IGSS”;

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- Ministry of the Interior (MoI);
- the (State) Treasury.

The IGF, IGSS, MoI and the Treasury provide basic data. STATEC compiles EDP data. The IGF then gives the final approval of EDP data before the tables are sent to Eurostat. EDP tables are officially transmitted to Eurostat by STATEC via Edamis. No affidavit is attached to the EDP data.

### 2.1.1 Existence of an EDP unit/department

Unit MAC4 “General Government Accounts” of STATEC is responsible for the EDP notification. It is part of Division MAC “Macroeconomic statistics”. The organisation chart of the institution can be found in Annex I to the inventory. The duties of the staff in Unit MAC4 refer to the compilation of EDP data and also to the compilation of general government monthly, quarterly and annual non-financial and financial accounts.

### 2.1.2 Availability of resources for the compilation of GFS data

Unit MAC4 consists of 4 staff members. They are involved in every aspect of statistics relating to general government. The same unit is responsible for providing data upon requests from other international and national organisations like the Organisation for Economic Co-operation and Development - OECD, the International Monetary Fund - IMF, and others.

## 2.2. Institutional arrangements relating to public accounts

Generally, “public accounts” are basic source data for GFS compilation, i.e. EDP tables as well as annual and quarterly accounts for general government. Public accounts are used by public units and refer to accounting records and relating accounting outputs (e.g. financial statements) based on the accounting framework defined by a national legislation. This section provides a general overview on institutional responsibilities relating to public accounts. Further details on public accounts for individual government subsectors are described under relevant sections on data sources and EDP tables.

### 2.2.1 Legal / institutional framework

The legal basis regulating the compilation of public accounts and the accounting rules is:

- for the core entity of *central government* (State budget and special funds) and the SEGS the constitution (art. 99-106) and the applicable legislation of the State's accounting system<sup>4</sup>;
- for entities with separate legal identities of *central government* the applicable legislation for corporate accounting (Lux GAAP)<sup>5</sup>;
- for *local government* the constitution (art. 107) and the communal law<sup>6</sup> and specifically for the 2013 modifications of local government accounting the

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<sup>4</sup> Mainly the « Loi du 8 juin 1999 sur la comptabilité de l'Etat » : <http://data.legilux.public.lu/file/eli-etat-leg-recueil-comptabilite-etat-20180101-fr-pdf.pdf>.

<sup>5</sup> Inter alia (i) Loi modifiée du 10 août 1915 concernant les sociétés commerciales ;

(ii) Loi du 19 décembre 2002 concernant le registre de commerce et des sociétés ainsi que la comptabilité et les comptes annuels des entreprises et modifiant certaines autres dispositions légales ;

(iii) Règlement grand-ducal du 10 juin 2009 déterminant la teneur et la présentation d'un plan comptable normalisé : <http://www.legilux.public.lu/leg/a/archives/2009/0145/index.html>.

<sup>6</sup> Loi communale modifiée du 13 décembre 1988.

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modifications of the communal law and the related regulations<sup>7</sup> as well as for inter-communal associations the applicable law<sup>8</sup>; and

- for *social security funds* the applicable legislation of the social security institutions' accounting system<sup>9</sup>.

Accounting records and evidence of all public units are not regularised by a related national legislation. For more detailed information on the kind of bookkeeping systems used by government units and public corporations, please refer to sections 3.2, 3.4 and 3.5 of the inventory.

The institutions responsible for bookkeeping standards used by public units, designing of financial statements as well as data collection and processing are:

- for the core entity of *central government* (State budget and special funds) and the SEGS the Ministry of Finance (IGF)<sup>10</sup>;
- for entities with separate legal identities of *central government* the “Commission des Normes Comptables”<sup>11</sup>;
- for *local government* the Ministry of the Interior<sup>12</sup>;
- for *social security funds* the IGSS<sup>13</sup>.

The institutions responsible for internal quality and consistency checks and validation are:

- for the core entity of *central government* (State budget and special funds) and the SEGS the Ministry of Finance (IGF);
- for entities with separate legal identities of *central government* themselves;
- for *local government* the Ministry of the Interior (Direction du contrôle de la comptabilité communale);
- for *social security funds* the IGSS.

There are no foreseen changes in terms of bookkeeping system used by public units.

## 2.2.2 Auditing of public accounts

### 2.2.2.1 General government units

All units included in the general government sector according to ESA2010 are audited.

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<sup>7</sup> (i) Loi du 30 juillet 2013 portant modification a) de certaines dispositions du Titre 4. – De la comptabilité communale de la loi communale modifiée du 13 décembre 1988 et b) de l'article 33 de la loi du 18 décembre 2009 organisant l'aide sociale.

(ii) Règlement grand-ducal du 30 juillet 2013 portant exécution de certaines dispositions du Titre 4. - De la comptabilité communale de la loi communale modifiée du 13 décembre 1988 : <http://legilux.public.lu/eli/etat/leg/rgd/2013/07/30/n10/fo>.

<sup>8</sup> Loi du 23 février 2001 concernant les syndicats de communes.

<sup>9</sup> Règlement grand-ducal modifié du 19 décembre 2008 relatif à la comptabilité et aux budgets des institutions de sécurité sociale, part of the Social Security Code : [http://data.legilux.public.lu/file/eli-etat-leg-code-securite\\_sociale-20160101-fr-pdf.pdf](http://data.legilux.public.lu/file/eli-etat-leg-code-securite_sociale-20160101-fr-pdf.pdf).

<sup>10</sup> Loi du 8 juin 1999 sur la comptabilité de l'Etat (art. 84-86).

<sup>11</sup> The normalized accounting plan is established by the Commission des Normes Comptables (CNC) which was a part of the Ministry of Justice until 2013 and ever since it is an entity with separate legal identity classified in extra-budgetary central government.

<sup>12</sup> Loi communale du 13 décembre 1988 (art. 103-107).

<sup>13</sup> Règlement grand-ducal modifié du 19 décembre 2008 relatif à la comptabilité et aux budgets des institutions de sécurité sociale.

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- Legal, financial and performance compliance audits for central government accounts are performed by the Court of Auditors (Cour des Comptes) and published on their website at  $t+1$ <sup>14</sup>.
- The accounts of public establishments and public corporations classified inside central government undergo a financial audit by private audit companies.
- Legal and financial audits for local government are made by a supervision body (Service de contrôle de la comptabilité communale) of the Ministry of the Interior<sup>15</sup>.
- Legal and financial audits of the accounts of the different social security institutions are performed by the surveillance service of the IGSS (Service de surveillance de l'IGSS)<sup>16</sup>.

#### *2.2.2.2 Public units, not part of general government*

The accounts of public corporations classified in the sectors of non-financial and financial corporations are audited by private audit companies.

## **2.3. Communication**

### **2.3.1 Communication between actors involved in EDP**

#### *2.3.1.1 Agreement on co-operation*

There is no specific organisation in the co-operation between actors involved in EDP. STATEC is in permanent contact with other institutions involved. An official agreement on co-operation and the creation of a special EDP working group (Groupe de travail “Finances publiques”) has been agreed upon in 2014. This working group meets once before every EDP notification on initiative of STATEC; all other issues are dealt with in ad-hoc meetings and/or via phone/email. In addition, STATEC can be consulted for everything in relation to general government accounts. There are no foreseen changes in responsibilities of institutions and/or departments involved.

#### *2.3.1.2 Access to data sources based on public accounts*

Public accounts data for individual units/groups of units are delivered to STATEC under the following formats:

- data on the State budget, special Funds and the SEGS are provided as Excel files;
- data on public establishments and public corporations classified inside central government are provided partly as PDF documents and partly on paper;
- data on local administrations, including the fund of municipal expenditure (Fond des Dépenses Communales), are provided as Excel files;
- the social security funds data are provided as SAS or Excel files.

EDP data compilation is not "certified" by a signature of the responsible government institution. Furthermore, STATEC has no access to public accounts databases.

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<sup>14</sup> <http://www.cour-des-comptes.lu/content/dam/cdcomptes/fr/legislation/loi-cdc.pdf>

<sup>15</sup> [http://www.mi.public.lu/ministere/min\\_200\\_organisation/270\\_org\\_scc/index.html](http://www.mi.public.lu/ministere/min_200_organisation/270_org_scc/index.html)

<sup>16</sup> <http://www.mss.public.lu/acteurs/igss/index.html>

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### **2.3.2 Publication of deficit and debt statistics**

#### *2.3.2.1 Publication of EDP data*

EDP figures are published in the second or third week after the official deadline. Only STATEC publishes these data. The figures of EDP Table 1, 2A, 2C and 2D are published nationally. In the case of changes after the assessment process by Eurostat, the final/amended version of EDP data is always published nationally.

#### *2.3.2.2 Publication of underlying government ESA2010 accounts*

ESA Tables 0200, 0900 and a condensed version of Table 1100 are published nationally in the second or third week after the official EDP deadline.

The publications can be found on the following STATEC website:

[http://www.statistiques.public.lu/stat/ReportFolders/ReportFolder.aspx?IF\\_Language=eng&MainTheme=5&FldrName=2](http://www.statistiques.public.lu/stat/ReportFolders/ReportFolder.aspx?IF_Language=eng&MainTheme=5&FldrName=2)

### 3. EDP tables and data sources

This section reports on availability and use of basic data sources for the compilation of national accounts and EDP tables, by general government subsectors and main units/groups of units. It also aims at describing adjustments to basic data source in order to compile ESA2010based deficit/surplus; EDP tables compilation techniques, balancing practices; link between EDP table 2 and 3.

#### 3.1. EDP table 1

EDP table 1 provides the core, summary information for the reporting period, as requested by the related EU legislation<sup>17</sup>: net borrowing(-)/net lending(+)(B.9) for general government sector and its subsectors, outstanding amount of Maastricht debt by instruments, Gross Domestic Product (GDP), gross fixed capital formation (GFCF) for GG sector and data on interest expenditure (D.41) .

This section focuses on Maastricht debt only. A detailed description of B.9 calculation and data sources for individual subsectors is covered under section 3.2.

##### 3.1.1 Compilation of Maastricht debt

###### 3.1.1.1 Specification of debt instruments

All Maastricht debt instruments are calculated directly from the financial accounts of each sub-sector of general government.

*Central government debt* amounts as per 31<sup>st</sup> December 2017 to about 92% of total Maastricht debt, whereas *local government* amounts for the other 8%. *Social security funds* have virtually no Maastricht debt, except for small amounts of short-term loans due to bank overdrafts.

About 65% of the total debt is issued in long-term debt securities. About 32% are issued in loans, of which 95% are long-term loans. The average remaining maturity of total *central government debt* is less than 10 years. The average interest rate of *central government debt* is about 2%.

As per 31<sup>st</sup> December 2017, about 42% of the general government debt is foreign debt, of which 93% are long-term debt securities held by the rest of the world (S.2 – RoW) and 3% are attributed to foreign debt in the framework of the European Court of Justice included in the special fund for the law of guarantees. The rest of the foreign debt is due to a loan from the European Investment Bank (EIB).

###### 3.1.1.2 Data sources used for the compilation of Maastricht debt

###### AF.2 - Currency and deposits

- Budgetary central government: monthly data are provided by the Treasury.
- Extra-budgetary central government: quarterly provisional and annual audited data is provided directly by the SNCL.

<sup>17</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2014:069:0101:0101:EN:PDF>



- Local Government: this item is always equal to zero.
- Social Security Funds: this item is always equal to zero.

#### *AF.3 - Debt Securities*

- Budgetary central government: monthly data at nominal and market value is provided by the Treasury. Quarterly data provided by the national central bank is used for counterpart information of debt securities issued by the core unit of budgetary central government.
- Extra-budgetary central government: annual balance sheet data are collected by STATEC; quarterly data are estimated.
- Local Government: direct annual data are provided by the MoI; quarterly data are estimated by interpolation.
- Social security funds: this item is always equal to zero.

#### *AF.4 - Loans*

- Budgetary central government: monthly data are provided by the Treasury; the European Financial Stability Facility (EFSF) debt is provided on a monthly basis by Eurostat and annual debt in the context of public-private partnerships is provided by the IGF.
- Extra-budgetary central government: annual balance sheet data are collected by STATEC; quarterly data are estimated.
- Local government: indirect monthly data from banking statistics are provided by the national surveillance commission of the financial sector “Commission de Surveillance du Secteur Financier – CSSF”, direct annual data was provided by the MoI until 2010.
- Social security funds: direct monthly data for the main social security institutions are provided by the IGSS; for the investment vehicle of the National Pension Insurance Fund and for the Pension Insurance Fund for communal civil servants and employees, AF.4 is always virtually zero. Small amounts of short-term loans (AF.41) are possible for the SICAV due to bank overdrafts.

For budgetary *central government*, the Treasury is the main data source. The data provided covers the public debt, except for EFSF debt and debt related to PPP contracts, and is provided on a monthly basis (T+1 month). In addition, the Treasury provides annual data by loan. EFSF debt is provided on a monthly basis directly by Eurostat and annual debt in the context of PPP contracts is provided by the IGF. Quarterly debt is interpolated. For extra-budgetary *central government*, the IGF provides annual balance sheet data (T+7 months).

*Local government* data from quarterly banking statistics are provided by the CSSF. These data are available 45 days after the end of the quarter and cover banking loans and deposits.

For *social security funds*, the IGSS transmits monthly data on short-term debt and the public establishment Fonds de Compensation transmits monthly (provisional) and annual balance sheet data. *Social security funds* do not have long-term debt like banking loans or securities. Small amounts of short-term debt are possible due to bank overdrafts.

No specific data sources are used in the context of the April notification. The public debt data not available for the April notification is estimated by STATEC on the basis of the annual evolution of previous years and selective information from the Treasury or other ad-hoc information provided directly by extra-budgetary *central government* entities.

For all three sub-sectors, except for some extra-budgetary *central government* entities, final accounts are available at T+7 months. Data for the current year and estimations for T-1 year are revised in September with the most recent data available.

### *3.1.1.3 Amendments to basic data sources*

Basic data used for compiling financial accounts of *central government* contains information on both market and nominal value. Data are provided by the Treasury.

Since 2005, public-private partnerships operated in the framework of the special fund for the law of guarantees (Fonds pour la Loi de Garantie) are classified on government balance sheet, i.e. they are taken into account in general government debt.

For *local government* amendments are made using counterpart information from banking statistics provided by the CSSF.

In general, the basic data allowing the calculation of general government gross consolidated debt are available in terms of stocks at the end of the period, valued at their nominal value. Financial transactions are derived from the stocks; other changes in volume as well as nominal holding gains and losses are taken into account where appropriate.

Adjustments related to other changes in volume are relatively infrequent and applied in particular to the accounts of central government. Information on these adjustments is generally obtained from the Treasury or the IGF; respectively information might be included in the notes attached to the extra-budgetary central government entities' balance sheets and profit and loss accounts.

All EDP Tables 3 and the Maastricht debt data are compiled directly from the financial accounts of each sub-sector. The data in Tables 3A-E therefore correspond directly with those taken from the financial accounts of general government. The only difference is due to accrued interest being included in the financial accounts in the debt securities whereas in the calculation of the Maastricht debt, accrued interest is not included.

### *3.1.1.4 Consolidation of Maastricht debt*

The sources of information used to consolidate the data are identical for each sub-sector, whether it is intra-sectoral or inter-sectoral.

#### **Intra-flows**

##### *Central government*

The only flows of Maastricht debt relate within central government relate to a deposit from the Treasury at the SNCI. The two sources are confronted and can be consolidated.

##### *Local government*

There are no Maastricht debt flows within local government.

##### *Social Security Funds*

There are no Maastricht debt flows within social security funds.

#### **Inter-flows**

##### *Central government*

Data on Maastricht debt between central government and other sub-sectors of general government are obtained directly from the Treasury and are consolidated. The only Maastricht debt of central government vis-à-vis another sub-sector of general government is due to a loan granted by local government.

#### *Local government*

Information on loans granted to central government is provided on a monthly basis by the Treasury. This information relates to municipality deposits at the municipal cyclical adjustment fund “Fonds communal de péréquation conjoncturelle”. Information on other local government assets vis-à-vis central government is obtained directly from the Treasury and is consolidated in the general government Maastricht debt. Local government does not hold any assets and has no Maastricht debt vis-à-vis social security funds.

#### *Social security funds*

Information on social security funds assets or Maastricht debt vis-à-vis other general government sub-sectors would be provided on a monthly basis by the IGSS and the public establishment Fonds de Compensation and on an annual basis by the CPFEC. There are no flows relating to Maastricht debt between social security funds and other general government sub-sectors.

There are no major data inconsistencies on consolidation. In the case of inconsistencies, central government is considered the most reliable source.

### **3.2. Central Government sub-sector, EDP table 2A and 3B**

Information provided in this section refers to data sources available for the Central Government (S.1311), indicates what sources are used for compilation of non-financial and financial accounts and EDP tables for S.1311, and explains the adjustments made in order to comply with ESA2010.

#### **3.2.1. Data sources for main Central Government unit: “The State”**

This section describes data sources available and used for compilation of national accounts and EDP tables for the main Central Government unit:

- Basic data sources
- Complementary data sources used for the purpose of special ESA2010 adjustments (e.g. accrual adjustments, recording of specific government transactions, etc.).

**Table 2 – Availability and use of basic source data for the main central government unit**

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		T + days	T+months		cross appropriate cells		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
M	M/A	T+25/T+45	T+7	(3) Current and capital revenue and expenditure and financial transactions	x	x	x
				(4) Balance sheets			
				Financial Statements			
				(5) Profit and loss accounts			
C	M	T+15	T+1	(6) Balance sheets			x
				(7) Cash flow statement			
				Other Reporting			
				(8) Statistical surveys			
				(9) Other:			

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2); M - monthly, Q - quarterly, A - annual, O - other, to be specified

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6, 7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.

Basic data are on a mixed cash-accrual basis. Annual revenue data are on a cash basis, whereas expenditure data are mainly on an accrual basis.

The budgetary exercise fits with the civil year: the exercise starts on 1<sup>st</sup> of January and ends on 31<sup>st</sup> of December of the same year.

Only services ordered or authorized by the responsible authority during the year giving the denomination to the exercise are considered as belonging to an exercise.

Nevertheless, operations related to the liquidation and the payment mandates of expenditure, as well as the carrying out and the accomplishment of ordered, authorized and initiated services, can be extended to 31<sup>st</sup> of March of the following year (before 1999 until the 30<sup>th</sup> of April). On this date, the exercise will definitely be closed.

In principal, tax revenue is recorded with 31<sup>st</sup> of December as closing date (cash recording without correction) except for some taxes, for instance taxes on revenue, that are recorded

according to the exercise. Other central government revenue is in general recorded according to the exercise.

Data used for financial accounts and B.9f compilation are the same as those used for compilation of transactions reported in EDP Table 3B.

### *3.2.1.1 Details of the basic data sources*

#### ***Data sources used for compilation of national accounts***

Data reported in the working balance is also used for the B.9 calculation. The budgetary central government budget and accounts as they are presented to the government for the official vote of the budget law feature for every budgetary article an economic classification, allowing for a direct link to the ESA2010 operations classification. In addition, detailed revenue and expenditure are available for special funds, the SEGS and extra-budgetary central government.

Detailed annual, quarterly and monthly data on taxes is provided by the three tax administrations.

Basic data is never consolidated but the accounts are consolidated for the compilation of the central government sub-sector accounts. Consolidation is applied between budgetary and extra-budgetary central government accounts and within general government.

For the budgetary central government budget, information is available at the level of the budgetary article. The structure reveals information on the budget department, the budget section and the economic classification of the article. The budgetary article has the following structure XX.Y.ZZ.TTT:

- XX refers to the Ministry or department;
- Y is the section of the ministry or department;
- ZZ corresponds to the two first positions of the economic code containing information on the economic nature of the budgetary article according to an economic classification which is referred to as the Benelux classification;
- TTT is the detail of the budgetary article, where the first two positions correspond to an accounting sub-classification and the last position is in principle a sequential number.

This allows for allocating an ESA2010 operations classification to every article of the core unit of budgetary central government.

The structure of the budget of the core unit allows for identification of individual flows which are to be treated in a special way or reclassified from non-financial into financial transaction or vice versa.

The level of detail in the economic codification allows for distinguishing between flows and stocks which should be consolidated between GG units/sub-sectors and other flows and stocks, as well as for identifying transfers to/from public corporations, private corporations, households, non-profit institutions serving households and rest of the world.

#### ***Working balance (WB)***

Data as reported in the working balance in the first line of EDP Table 2A is also used for the compilation of B.9.

### *3.2.1.2 Statistical surveys used as a basic data source*

No statistical surveys are used as a basic source data for non-financial and financial accounts compilation.

### *3.2.1.3 Supplementary data sources and analytical information*

This section describes supplementary data sources used to amend basic data sources when compiling national accounts. In order to meet ESA2010 requirements, supplementary data could be used for e.g. for accrual adjustments, reclassification of specific transactions, consolidation, amendments of revenue and expenditure structure, amendments of structure of assets and liabilities, identification of a counterpart sector, etc.

#### *3.2.1.3.1 Supplementary data sources used for the compilation of non-financial accounts*

Supplementary data is used in order to calculate accrual amounts in the framework of the Belgium–Luxembourg Economic Union “Union économique belgo-luxembourgeoise - UEBL”, an economic formal cooperation between Belgium and Luxembourg. STATEC receives detailed information for all years from the responsible tax administration twice a year before every EDP notification. The related adjustments lead to changes in B.9, to changes of the revenue and/or expenditure level, depending on whether Luxembourg receives or pays money from/to Belgium.

#### *3.2.1.3.2 Supplementary data sources used for the compilation of financial accounts*

Since 2005, the main data source used for the compilation of financial accounts of the main central government unit is the financial balance sheet provided on a monthly basis by the Treasury. The information provided in the balance sheet leads to changes in B.9f.

Supplementary sources are data on the EFSF provided on a monthly basis by Eurostat and monthly and annual data on special funds provided by the IGF. The use of these supplementary sources leads to changes in B.9f.

For equity and investment fund shares, a large variety of data sources is used. For other accounts receivable/payable, monthly data provided by the IGF and other data sources are used. For more detail, please refer to section 3.2.4.

### *3.2.1.4 Extra-budgetary accounts (EBA)*

Usually, not all flows of a non-financial nature are recorded in the so called budgetary accounts which enter the WB, as reported in the first line of EDP table 2. Some funds could be put aside as reserves, special purpose funds and are booked in so called “extra-budgetary accounts” - EBA. In some cases, according to national legislation, transactions which are not scrutinized by budgetary rules can be booked in EBA and not in ordinary budgetary accounts. It is very important that all non-financial flows of the main entity, including those entering EBA, are appropriately incorporated into calculations of deficit.

There are no extra-budgetary accounts of the main central government unit in Luxembourg.

## **3.2.2 Data sources for other Central Government units**

This section describes data sources available and used for compilation of national accounts and EDP tables for other Central Government units (those not reported in the working balance in EDP T2A).

Other central government units as reported in EDP Table 2A under the line “Net lending/ net borrowing of other central government bodies” include extra-budgetary central government units, i.e. entities with separate legal identities and substantial autonomy of extra-budgetary central government, thus non-market public producers and non-profit institutions controlled by central government.

**Table 3 – Availability and use of basic source data for other central government units:**

**Extra-budgetary central government**

Available source data				Source Data Accounting	Source data used for compilation of	
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			B.9 (NFA)	B.9f (FA)
		First results	Final data			
1	2	3	4	5	7	8
		T + days	T+months			
				Budget Reporting		
				(1) Current revenue and expenditure		
				(2) Current and capital revenue and expenditure		
				(3) Current and capital revenue and expenditure and financial transactions		
				(4) Balance sheets		
				Financial Statements		
A	A	T+45	T+7	(5) Profit and loss accounts	x	x
A	A		T+7	(6) Balance sheets	x	x
				(7) Cash flow statement		
				Other Reporting		
				(8) Statistical surveys		
				(9) Other:		

See notes to table 2, on the used abbreviations.

Profit and loss accounts of extra-budgetary central government entities are on an accrual basis. Moreover, basic data are never consolidated. While compiling central government accounts, consolidation is applied between budgetary and extra-budgetary central government as well as within general government.

For the April EDP notification, the IGF provides estimations for the current year.

Data used for financial accounts and B.9f compilation are the same as those used for compilation of transactions reported in EDP Table 3B.

### *3.2.2.1 Details of the basic data sources*

Basic data on extra-budgetary central government entities is in general provided by the IGF. Additionally, in some specific cases, STATEC inquires the accounts and ad-hoc information directly from different entities.

The extra-budgetary central government data does not contain the same classification by economic nature as the core unit, but during the compilation process, their profit and loss account items are classified in accordance with the existing core unit classification.

The balance sheets and profit and loss accounts of the extra-budgetary central government entities allow for the distinction between non-financial and financial flows. The accounts allow also for identifying individual flows which are to be treated in a special way or to be reclassified from non-financial into financial transactions and vice versa. Furthermore, the detail provided allows in general for the distinction between flows and stocks which should be consolidated between general government units/sub-sectors and other flows and stocks, as well as for identification of transfers to/from public corporations, private corporations, households, non-profit institutions serving households and the rest of the world.

### *3.2.2.2 Statistical surveys used as a basic data source*

No statistical surveys are used as a basic source data for non-financial and financial accounts compilation.

### *3.2.2.3 Supplementary data sources and analytical information*

This section describes supplementary data sources which are used to amend basic data sources while compiling national accounts. In order to meet ESA2010 requirements, supplementary data could be used for, e.g., accrual adjustments, reclassification of specific transactions, consolidation, amendments of revenue and expenditure structure, amendments of structure of assets and liabilities, identification of a counterpart sector, etc.

#### *3.2.2.3.1 Supplementary data sources used for the compilation of non-financial accounts*

No supplementary information is used for the compilation of non-financial accounts.

#### *3.2.2.3.2 Supplementary data sources used for the compilation of financial accounts*

No supplementary information is used for the compilation of financial accounts.

## **3.2.3 EDP table 2A**

This section provides detailed information on individual lines reported in EDP T2A.

### *3.2.3.1 Working balance - use for the compilation of national accounts*

Data reported in the Working Balance are included in the calculation of B.9.

### *3.2.3.2 Legal basis of the working balance*

The working balance corresponds to the budgetary central government account “Compte de l’Etat”, which is voted by the Parliament. It is audited by the national Court of Auditors “Cour des Comptes”. The results from this audit are publicly available<sup>18</sup>.

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<sup>18</sup> [https://cour-des-comptes.public.lu/fr/rapports/rapports\\_generaux.html](https://cour-des-comptes.public.lu/fr/rapports/rapports_generaux.html)



Theoretically, it is not excluded that as a result of the auditing, there could be changes impacting B.9 or B.9f.

Every budgetary central government budget as well as every budgetary central government account are a law.

### *3.2.3.3 Coverage of units in the working balance*

Two adjustment lines due to sector delimitation appear in EDP T2. The purpose of the first adjustment is to exclude flows relating to units which do not belong to the government sector (or to the particular subsector) according to ESA2010 definition. The second adjustment refers to B.9 of other units which are classified within the particular government subsector, but related inflows/outflows are not included in the working balance.

#### *3.2.3.3.1 Units to be classified outside the subsector, but reported in the WB*

There are no units reported in the working balance which do not belong to the budgetary central government sector as defined by ESA2010.

#### *3.2.3.3.2 Units to be classified inside the subsector, but not reported in the WB*

The impact of budgetary central government entities not included in the working balance is reported under the item “Non-financial transactions not included in the working balance” of EDP Table 2A. Those entities are the special funds and the SEGS.

The impact of other extra-budgetary central government entities on B.9 is reported in the line “Net borrowing or net ending of other central government bodies” of Table 2A. This line includes entities with separate legal identities and substantial autonomy of extra-budgetary central government, i.e. non-market public producers and non-profit institutions controlled by central government.

The accounts of these extra-budgetary entities are reported on an accrual basis.

The impact on methodological imputations or reclassifications relating to extra-budgetary central government entities are included in the same line “Net borrowing or net ending of other central government bodies” of Table 2A.

There is no full sequence of ESA2010 accounts available for extra-budgetary central government.

### *3.2.3.4 Accounting basis of the working balance*

The working balance is on a mixed cash-accrual basis. Annual revenue data is on a cash basis, whereas expenditure data is mainly on an accrual basis.

In principle the Luxembourg budgetary system is a system of accounting periods:

- the accounting period proper is the same as the calendar year; it begins on 1<sup>st</sup> of January and it ends on 31<sup>st</sup> of December of the same year;
- only services ordered or authorised by the competent authority and the funds acquired by budgetary central government and its creditors during the year which gives its name to the accounting period are considered to belong to that period;
- Nonetheless, transactions concerning the collection of income, settlement and authorisation of expenditure and execution and completion of services ordered,

authorised or begun may be extended up to 31<sup>st</sup> of March of the following year (30<sup>th</sup> of April before 1999). On this date, the accounting period is definitively closed.

With regard to revenue, it is important to note that since the 1976 accounting period, only operating revenue is recorded under the accounting period system, while a system closing the accounts on 31<sup>st</sup> of December of each year is used for tax revenue (uncorrected recording of “cash”) except for some taxes, for instance taxes on revenue, recorded according to the accounting period system.

Data used for financial accounts and B.9f compilation are the same as those used for compilation of transactions reported in EDP Table 3B.

#### 3.2.3.4.1 Accrual adjustment relating to interest D.41, as reported in EDP T2

Interest charges on loans and debt securities are recorded at the time that the interest comes due, i.e. is payable by the Treasury. The corrections for recording interest on an accrual basis are calculated by the Treasury and STATEC.

In general, the Treasury does not use derivatives, so there is no need for a correction for swaps.

#### 3.2.3.4.2 Accrual adjustments reported under other accounts receivable/payable F.8 in EDP T2

Under the line “Other accounts receivable” of Table 2A are recorded:

- the difference between tax revenue as calculated using the adjusted cash method and revenue recorded as cash in the general government accounts;
- accounting differences for significant one-off transactions, for instance when certain non-tax revenue is not included in the final accounts because the payment was made after the final closure of the accounts on 31<sup>st</sup> of March of the following year.

Under the line “Other accounts payable” of Table 2A are recorded:

- mainly reimbursements of Value Added Tax (VAT);
- accrual on transfers to social security funds;
- accrual on transfers related to the Belgium–Luxembourg Economic Union UEBL.

Accrual adjustments in EDP table 2 are fully consistent with F.8 reported in EDP T3 and financial accounts.

#### 3.2.3.4.3 Other accrual adjustments in EDP T2

There are no other accrual adjustments reported in EDP Table 2A.

#### 3.2.3.5 *Completeness of non-financial flows covered in the working balance*

The line “Non-financial transactions not included in the working balance” of Table 2A reports the impact on net lending/net borrowing of the entities of budgetary central government not included in the working balance. Those entities are the special funds and other entities of budgetary central government, i.e. entities without separate legal identities or without substantial autonomy like the SEGS and other public institutions like the main executive body and the Court of Auditors.

This line of Table 2A does not include non-financial transactions of extra-budgetary central government.

### 3.2.3.6 Financial transactions included in the working balance

The budget and accounts of budgetary central government adopted by the Parliament, which are reported under the item “Working balance in central government accounts”, can include transactions on deposits, debt securities, loans and loan repayments, equity acquisition and sales and transactions on financial derivatives. These transactions are offset in the line “Financial transactions included in the working balance”.

Repayments of debt securities are carried out using special funds while the “working balance” includes allocations to these special funds.

### 3.2.3.7 Other adjustments reported in EDP T2

Under the line “Other adjustments” of EDP Table 2A are recorded the following additional adjustments:

- non-financial transactions of the EFSF;
- the difference between taxes as included in the budget and cash tax data, not in relation to accrual corrections;
- elimination of other change in volume (K.1-5) and nominal holding gains and losses (K.7);
- small amounts of other and not allocated residuals.

### 3.2.3.8 Net lending/net borrowing of central government

Data reported in the working balance is used for B.9 calculation.

## 3.2.4 EDP table 3B

### 3.2.4.1 Transactions in financial assets and liabilities

Data used for EDP Table 3B are the same as those used for the compilation of financial accounts and B.9f.

**Table 4 – Data used for compilation of transactions and of stocks of financial assets and liabilities**

	Assets							Liabilities						
Source Data	F.2	F.3	F.4	F.5	F.6	F.7	F.8	F.2	F.3	F.4	F.5	F.6	F.7	F.8
	Calculation of transactions													
Transaction data ( integrated in public accounts)														
Other transaction data							X							X
Stock data	X	X	X	X		X	X	X	X	X			X	X
	Calculation of stocks													
Transaction data							X							X
Stock data	X	X	X	X		X	X	X	X	X			X	X

The main data sources of EDP Table 3B are:

### *F.2 - Currency and deposits*

For budgetary central government, monthly data are provided by the Treasury. For extra-budgetary central government, annual balance sheets are provided by the IGF and quarterly provisional accounts are directly provided by the SNCI.

- The data provided is exhaustive.
- No supplementary data sources like banking statistics are used.
- Transactions are calculated with the stocks of the balance sheets.
- The data provided contains counterpart information.
- Except for the SNCI, quarterly data is estimated.
- Data is consolidated within general government.

### *F.3 - Debt securities*

For budgetary central government, monthly data are provided by the Treasury, for nominal value as well as for market value. Annual data is provided by the IGF. For extra-budgetary central government, annual balance sheets are provided by the IGF and quarterly provisional accounts are directly provided by the SNCI.

- The data provided is exhaustive.
- No supplementary data sources like banking statistics are used.
- Transactions are calculated with the stocks of the balance sheets.
- Except for the SNCI, quarterly data is estimated.
- Data is consolidated within general government.

### *F.4 - Loans*

For budgetary central government, monthly data are provided by the Treasury and annual data are provided by the IGF. For extra-budgetary central government, annual balance sheets are provided by the IGF and quarterly provisional accounts are directly provided by the SNCI.

- The data provided is exhaustive.
- No supplementary data sources like banking statistics are used.
- Transactions are calculated with the stocks of the balance sheets.
- The data provided contains counterpart information.
- Except for the SNCI, quarterly data is estimated.
- Data is consolidated within general government.

### *F.5 - Equity and investment fund shares/units*

For budgetary central government, monthly data are provided by the Treasury and annual data are provided by the IGF. For extra-budgetary central government, annual balance sheets are provided by the IGF and quarterly provisional accounts are directly provided by the SNCI. In addition, information on equity and investment fund shares is provided in annual and bi-annual reports, for instance government participations in financial corporations. As another source of information, the business register is fully used. Whenever the number of shares varies, additional information on the related transactions is looked up in legal documents.

- Transactions are not calculated but individually identified.
- Except for the SNCI, quarterly data is estimated, but partly, bi-annual data is used.
- Data is consolidated within general government.

### *F.71 - Financial derivatives*

In the rare cases of budgetary central government derivatives, detailed information is provided by the Treasury. For extra-budgetary central government, i.e. for the sovereign wealth fund

“Fonds souverain intergénérationnel du Luxembourg - FSIL”, annual data is provided by the IGF.

#### *F.8 - Other accounts receivable*

For other accounts receivable on taxes, monthly cash data is provided by the tax administrations. Receivables as difference between time adjusted cash data and the cash data of the tax administrations are included under this item of EDP Table 3B. For VAT, additional annual data is provided for the calculation of receivables.

Monthly and annual data provided by the IGF allows for the calculation of other accounts receivable on aggregates other than taxes, for instance on output (trade credits, F.81) or transfers.

- The F.8 calculation is not based on exhaustive data on other accounts receivable.
- Quarterly data is estimated.
- In some cases, counterpart information is available.
- The data that is available is consolidated within general government.

#### *F.1 and F.6 - Other financial assets*

This item of EDP Table 3B is zero.

#### *F.71 - Net incurrence of liabilities in financial derivatives*

This item of EDP Table 3B is zero. As stipulated by ESA2010 §5.229, the assets as well as the liabilities of financial derivatives are recorded on the assets side.

#### *F.8 - Net incurrence of other accounts payable*

For other accounts payable on taxes, data on VAT is provided by the tax administration responsible for VAT. Additional annual data is provided for the calculation of payables relating to VAT reimbursements.

Monthly and annual data provided by the IGF allows for the calculation of other accounts payable on different aggregates, for instance on intermediate consumption and gross capital formation (trade credits, F.81) or transfers.

- The F.8 calculation is not based on exhaustive data on other accounts payable.
- Quarterly data is estimated.
- In some cases, counterpart information is available.
- The data that is available is consolidated within general government.

#### *F.1 / F.5 / F.6 / F.72 - Net incurrence of other liabilities*

This item of EDP Table 3B is zero.

#### *3.2.4.2 Other stock-flow adjustments*

The following other stock-flow adjustments are included in EDP Table 3B:

- Under the item “Issuance above/below nominal value” is recorded complete and consolidated data on issuance above or below nominal value concerning central government issuance of debt securities. Data is provided by the Treasury.
- Under the item “Difference between interest accrued and paid” is recorded complete data on the difference between interest accrued and paid on debt securities. The data is provided by the IGF.
- The item “Redemptions/repurchase of debt above/below nominal value” has until now always been zero.

- The item “Appreciation/depreciation of foreign currency debt” has until now always been zero.
- Under the item “Changes in sector classifications” is recorded complete data on sector reclassifications between central government and other sub-sectors of general government or other sectors.
- The item “Other volume changes in financial liabilities” has until now always been zero.

#### *3.2.4.3 Balancing of non-financial and financial accounts, transactions in F.8*

This section aims at describing of techniques and methods for balancing non-financial and financial accounts applied generally for the whole general government sector.

##### ***Allocation of discrepancy B.9 vs B.9f***

Wherever possible, the statistical discrepancy is monitored by unit. If the amount is important, the unit in question is analysed in order to identify the reason of the non-negligible discrepancy. Whenever an error can be identified, it is eliminated.

Other than by elimination of errors, B.9 and B.9f are not changed by adjustments in the context of statistical discrepancy.

##### ***Changes to intermediate data***

No counterpart information is used to obtain the final statistics of non-financial accounts.

No counterpart information is used to obtain the final statistics in financial accounts.

The difference between B.9 and B.9f is shown under the item “Statistical discrepancy” of EDP Table 3B.

##### ***Complementary elements on stocks***

The statistical discrepancy is not allocated to financial instruments. It is included in EDP Table 3B under the item “Difference between capital and financial accounts (B.9-B.9f)”.

##### ***Accruals***

The observed discrepancy is partly, but not exclusively, due to time of recording issues for all three sub-sectors of general government.

##### ***Ex-post monitoring***

If discrepancies are unusually high compared to previous years, the data is re-checked for problems.

### **3.3. State government sub-sector, EDP table 2B and 3C**

There is no State government subsector (S.1312) in Luxembourg.

### 3.4. Local government sub-sector, EDP table 2C and 3D

#### 3.4.1 Data sources for Local Government main unit: Municipalities

**Table 5 – Availability and use of basic source data for main local government units:**

#### Municipalities

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		T + days	T+months		cross appropriate cells		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
M	A	T+55	T+7	(3) Current and capital revenue and expenditure and financial transactions	x	x	x
				(4) Balance sheets			
				Financial Statements			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				Other Reporting			
				(8) Statistical surveys			
C	M	T+60	T+2	(9) Other: Banking Statistics			x

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2); M - monthly, Q - quarterly, A - annual, O - other, to be specified

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6, 7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.

##### 3.4.1.1 Details of the basic data sources

Recording of revenue and expenditure for local government follows the same accounting principles as applied to central government data. Basic data are on a mixed cash-accrual basis. Annual revenue data are on a cash basis, whereas expenditure data are mainly on an accrual basis.

Data used for financial accounts and B.9f compilation are the same as those used for compilation of transactions reported in EDP Table 3D.

Data reported in the working balance are also used for B.9 calculation.

Local government non-financial accounts are compiled from Excel files transmitted by the MoI, encompassing the budget approved by the Ministry for the year T for the April notification, the amended budget approved by the Ministry for the year T-1, also for the April notification, as well as provisional accounts for the year T-1 for the October notification, by unit and by budgetary article/account, as defined by the official chart of accounts<sup>19</sup> applicable to the municipalities, the social offices and the inter-communal associations.

Data is controlled by the MoI (Direction du contrôle de la comptabilité communale).

When compiling the accounts, STATEC carries out corrections on certain kinds of expenditure (particularly investment expenditure) which are regularly overstated in the adopted budgets. The correction is made on the basis of the ratio of accounts/budget from previous years. In order to estimate the actual investment expenditure for current years, STATEC applies the most recent historical adjustments on the available budgetary data, except for significant individual cases, where more accurate information is provided to STATEC.

Basic data are never consolidated. Consolidation is applied during the compilation process.

The structure of inflows and outflows allows identifying individual flows which are to be specifically treated/reclassified from non-financial into financial transaction and vice versa.

The details in codification for the purpose of consolidation allows distinguishing between flows which have to be consolidated between general government units/sub-sectors and other flows, as well as identifying transfers to/from entities not classified inside general government.

#### *3.4.1.2 Statistical surveys used as a basic data source*

No statistical surveys are used as a basic source data, neither for non-financial accounts nor for financial accounts compilation.

#### *3.4.1.3 Supplementary data sources and analytical information*

##### *3.4.1.3.1 Supplementary data sources used for the compilation of non-financial accounts*

Additional information is available from the tax administration on the municipal trade tax “Impôt commercial communal”. Furthermore, current and capital transfers between local and central government are adjusted using central government data as source.

##### *3.4.1.3.2 Supplementary data sources used for the compilation of financial accounts*

Banking statistics are used to estimate AF.2 on the assets side. The estimation concerns the whole sub-sector of local government. The banking statistics information is available on a monthly basis for all the years compiled.

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<sup>19</sup> <https://mint.gouvernement.lu/dam-assets/directions/direction-des-finances-communales/comptabilite-communale/plan-bud-normalise.pdf>



The adjustments impact B.9f on the assets side.

### 3.4.2 Data sources for other Local Government units: Inter-communal associations and social offices

**Table 6 – Availability and use of basic source data for other local government unit**

#### **Inter-communal associations and social offices**

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		T + days	T+months		cross appropriate cells		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
M	A	T+55	T+7	(3) Current and capital revenue and expenditure and financial transactions	x	x	x
				(4) Balance sheets			
				Financial Statements			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				Other Reporting			
				(8) Statistical surveys			
C	M	T+60	T+2	(9) Other: Banking Statistics			x

*Accounting basis (column 1): C- cash, A- accrual, M-mixed*

*Periodicity (column 2); M - monthly, Q - quarterly, A - annual, O - other, to be specified*

*Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.*

*Column 6, 7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.*

*Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.*

### *3.4.2.1 Details of the basic data sources*

The basic data sources are the same as for local government main units. Data are on an accrual basis for social offices and for most of inter-communal associations. For the remaining inter-communal associations data are on a mixed cash-accrual basis.

### *3.4.2.2 Statistical surveys used as a basic data source*

No statistical surveys are used.

### *3.4.2.3 Supplementary data sources and analytical information*

Supplementary data are the same as for local government main units.

## **3.4.3 EDP table 2C**

### *3.4.3.1 Working balance - use for the compilation of national accounts*

Data reported in the Working Balance are also used for B.9 calculation.

### *3.4.3.2 Legal basis of the working balance*

There is no legal basis for the working balance of local government. According to the MoI, the working balance is defined as revenue minus expenditure of municipalities.

No special auditing process exists in the EDP framework. Nevertheless, local government data is controlled by the MoI (Direction du contrôle de la comptabilité communale). As a result of an audit, B.9 or B.9f could be impacted.

### *3.4.3.3 Coverage of units in the working balance*

#### **3.4.3.3.1 Units to be classified outside the subsector, but reported in the WB**

There are no units reported in the working balance which do not belong to the local government sector as defined by ESA2010.

#### **3.4.3.3.2 Units to be classified inside the subsector, but not reported in the WB**

The fund for municipal expenditure (“Fonds des dépenses communales”) is included in the local government sub-sector but is not included in the working balance. The impact of this entity on the local government B.9 is included in EDP Table 2C under the item “Non-financial transactions not included in the working balance”.

### *3.4.3.4 Accounting basis of the working balance*

The working balance is on a mixed cash-accrual basis. Annual revenue data are on a cash basis whereas expenditure data are mainly on an accrual basis. In principle, expenditure and revenue are recorded according to the same accounting rules used for central government.

Non-financial accounts for local government are compiled from Excel files transmitted by the MoI, encompassing the budget approved by the Ministry for the year T for the April notification, the amended budget approved by the Ministry for the year T-1, also for the April notification, as well as provisional accounts for the year T-1 for the October notification, by unit and by budgetary article/account, as defined by the official chart of accounts applicable to the municipalities, the social offices and the inter-communal associations. The same as for

central government accounts, the complete local government accounts are compiled directly from basic data sources.

Data used for financial accounts and B.9f compilation are the same as those used for compilation of transactions reported in EDP Table 3D.

3.4.3.4.1 Accrual adjustments relating to interest D.41, as reported in EDP T2C

No accrual adjustments relating to interest D.41 are reported in EDP Table 2C.

3.4.3.4.2 Accrual adjustments reported under other accounts receivable/payable F.8 in EDP T2C

Under other accounts receivable/payable F.8 in EDP Table 2C are recorded:

- accrual recording of tax revenue: the difference between tax revenue as calculated using the adjusted cash method and revenue recorded as cash in the municipal accounts (particularly the municipal tax on trade);
- accrual recording of current transfers and investment grants within general government: accounting differences in recording transfers between central and local government as shown in the central and local government budgets and accounts (the central government budget and accounts are used as the reference point);
- other accounts receivable/payable.

3.4.3.4.3 Other accrual adjustments in EDP T2C

There are no other accrual adjustments reported in EDP Table 2C.

3.4.3.5 *Completeness of non-financial flows covered in the working balance*

The non-financial flows covered in the working balance are complete.

3.4.3.6 *Financial transactions included in the working balance*

Municipality budgets and accounts adopted by the municipal councils and approved by the MoI as well as the budgets and accounts of the social offices and the inter-communal associations include transactions deemed to be financial transactions concerning the granting and repayment of loans and the acquisition and settlement of equity. These transactions are offset under the item “Financial transactions considered in the working balance”.

***Other adjustments reported in EDP T2C***

Under other adjustments in EDP Table 2C are reported the following adjustments:

- elimination of operations on reserve funds;
- elimination of provisions;
- correction of overstated capital expenditure and intermediate consumption in budgetary data (which are regularly overstated in the adopted budgets);
- differences in data sources for consolidation within local government;
- differences in data sources for tax revenue;
- differences in data sources for consolidation with central government;
- correction on time of recording of transactions in equity;
- reclassification of certain capital injections from equity injections into non-financial transactions;
- elimination of other change in volume (K.1-5) & nominal holding gains and losses (K.7); and
- other adjustments (negligible amounts).

### 3.4.3.8 Net lending/net borrowing of local government

Data reported in the Working Balance are also used for B.9 calculation of EDP Table 2C.

## 3.4.4 EDP table 3D

### 3.4.4.1 Transactions in financial assets and liabilities

Data used for EDP Table 3D are the same as those used for the compilation of financial accounts and B.9f.

**Table 7 – Data used for compilation of transactions and of stocks of financial assets and liabilities**

	Assets							Liabilities						
Source Data	F.2	F.3	F.4	F.5	F.6	F.7	F.8	F.2	F.3	F.4	F.5	F.6	F.7	F.8
	Calculation of transactions													
Transaction data ( integrated in public accounts)														
Other transaction data														
Stock data			X	X										
	Calculation of stocks													
Transaction data	X		X	X			X			X				X
Stock data														

The main sources are banking statistics and the local government data provided annually by the MoI, completed by counterpart information.

### 3.4.4.2 Other stock-flow adjustments

The following items of Table 3D are always zero:

- Issuance above/below nominal value;
- Difference between interest accrued and paid;
- Redemptions of debt above/below nominal value;
- Appreciation/depreciation of foreign currency debt;
- Changes in sector classifications and
- Other volume changes in financial liabilities.

### 3.5. Social security sub-sector, EDP table 2D and 3E

#### 3.5.1 Data sources for Social Security Funds main unit: Social security institutions included in the working balance

**Table 8 – Availability and use of basic source data for social security funds**

**Social security institutions included in the working balance**

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		T + days	T+months		cross appropriate cells		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
				(3) Current and capital revenue and expenditure and financial transactions			
				(4) Balance sheets			
				Financial Statements			
A	M/A	T+5/T+45	T+7	(5) Profit and loss accounts	x	x	x
A	M/A	T+5/T+45	T+7	(6) Balance sheets	x	x	x
				(7) Cash flow statement			
				Other Reporting			
				(8) Statistical surveys			
				(9) Other:			

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2); M - monthly, Q - quarterly, A - annual, O - other, to be specified

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6, 7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.

#### 3.5.1.1 Details of the basic data sources

The data sources of the entities included in the working balance are monthly and annual data provided by the IGSS.

The data is exhaustive and individual and allows for a detailed ESA2010 classification as well as for consolidation within social security funds sub-sector and consolidation between social security funds and central government.

Monthly data are provided by the IGSS 5 days after the end of the month, provisional annual data are available 45 days after the end of the year and the final account is provided with a lag of 7 months.

### 3.5.1.2 Statistical surveys used as a basic data source

No statistical surveys are used as a basic data source.

### 3.5.1.3 Supplementary data sources and analytical information

#### 3.5.1.3.1 Supplementary data sources used for the compilation of non-financial accounts

No supplementary data sources are used for the compilation of non-financial accounts.

#### 3.5.1.3.2 Supplementary data sources used for the compilation of financial accounts

No supplementary data sources are used for the compilation of financial accounts.

## 3.5.2 Data sources for other Social Security units

**Table 9 – Availability and use of basic source data for other social security units**

**Investment vehicle of the National Pension Insurance Fund, Pension Insurance Fund for communal civil servants and employees and nursery and canteen of social security institutions**

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		T + days	T+months		cross appropriate cells		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
				(3) Current and capital revenue and expenditure and financial transactions			
				(4) Balance sheets			
				Financial Statements			
A	M/A	T+5/T+45	T+7	(5) Profit and loss accounts	x	x	
A	M/A	T+5/T+45	T+7	(6) Balance sheets	x	x	x
				(7) Cash flow statement			

				Other Reporting			
				(8) Statistical surveys			
				(9) Other:			

*Accounting basis (column 1): C- cash, A- accrual, M-mixed*

*Periodicity (column 2); M - monthly, Q - quarterly, A - annual, O - other, to be specified*

*Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.*

*Column 6, 7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.*

*Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.*

### 3.5.2.1 Details of the basic data sources

Monthly and annual data is provided by the public establishment Fonds de compensation on its Investment vehicle, and annual data is provided by the CPFEC. Monthly data on the nursery and the canteen of the social security institutions - SSI is included in the basic data provided on a monthly basis by the IGSS.

### 3.5.2.2 Statistical surveys used as a basic data source

No survey is used as basic data source.

### 3.5.2.3 Supplementary data sources and analytical information

No supplementary data sources and analytical information are used.

## 3.5.3 EDP table 2D

### 3.5.3.1 Working balance - use for national accounts compilation

Data reported in the working balance are also used for the B.9 calculation.

### 3.5.3.2 Legal basis of the working balance

The legal basis of the working balance of social security accounts presented in EDP Table 2D is the Social Security Code (Code de la sécurité sociale – Lois et Règlements<sup>20</sup>), a collection of the laws and regulations related to social security funds. A dedicated section describes how budget and accounts have to be established.

The accounts of the social security institutions are controlled by the surveillance service of the IGSS.

### 3.5.3.3 Coverage of units in the working balance

#### 3.5.3.3.1 Units to be classified outside the subsector, but reported in the WB

The working balance includes the national solidarity fund “Fonds National de Solidarité – FNS” classified in the central government sub-sector. The impact of the FNS is reflected in EDP Table 2D under the item working balance of entities not part of social security funds.

<sup>20</sup> [http://www.legilux.public.lu/leg/textescoordonnes/codes/code\\_securite\\_sociale/code\\_securite\\_sociale.pdf](http://www.legilux.public.lu/leg/textescoordonnes/codes/code_securite_sociale/code_securite_sociale.pdf) (especially articles 405-407 of the 6<sup>th</sup> book – “Livre VI”)

#### 3.5.3.3.2 Units to be classified inside the subsector, but not reported in the WB

The Investment vehicle of the National Pension Insurance Fund and the CPFEC classified in the social security funds sub-sector are not included in the working balance. In addition, small amounts of revenue and expenditure of the nursery and canteen of social security institutions are not included either in the working balance. The impact of these entities are reported in EDP Table 2D under net lending/net borrowing of other social security bodies.

#### 3.5.3.4 *Accounting basis of the working balance*

The accounting basis of the working balance is accrual.

##### 3.5.3.4.1 Accrual adjustments relating to interest D.41, as reported in EP T2D

Interest is recorded on an accrual basis. Therefore there is no need for such a correction.

##### 3.5.3.4.2 Accrual adjustments reported under other accounts receivable/payable F.8 in EDP T2D

For social contributions, social benefits and social transfers in kind, revenue from previous fiscal years (recorded under the current year due to late reporting) are identified in the accounts, and moved to the years they refer to. The other accounts receivable/payable corresponding to these adjustments on social contributions, benefits and transfers in kind are reported under other accounts receivable/payable F.8 in EDP Table 2D.

One-off accrual corrections are also possible, for example on interest in back years. The other accounts receivable/payable corresponding to these one-off corrections are also reported under other accounts receivable/payable F.8 in EDP Table 2D.

##### 3.5.3.4.3 Other accrual adjustments in EDP T2D

There are no other accrual adjustments reported in EDP Table 2D.

#### 3.5.3.5 *Completeness of non-financial flows covered in the working balance*

As the accounts of the social security institutions are balance sheets and profit and loss accounts, the working balance only includes a very small part of Gross fixed capital formation and does not include Acquisitions less disposals of non-produced assets.

In addition, transfers from central government to the family allowances fund to cover the deficit of this institution were booked in back years on an account not included in the working balance. In the recent years, this transfer is part of the working balance, though. The same is the case for education allowances paid by the pensions fund as well as for social contributions to accident insurance.

#### 3.5.3.6 *Financial transactions included in the working balance*

The working balance does not include any financial transactions.

#### 3.5.3.7 *Other adjustments reported in EDP T2D*

The following elements are recorded under “Other adjustments” in EDP Table 2D:

- Elimination of financial revaluation of the investment vehicle of the National Pension Insurance Fund included in the working balance;
- Elimination of depreciation and other value adjustments included in the working balance;
- Elimination of operations on reserve funds included in the working balance;
- Elimination of provisions included in the working balance;



- Differences in data sources for consolidation within social security sub-sector;
- Differences in data sources for consolidation with central government;
- Reclassification of certain capital injections from equity injections into non-financial transactions; and
- Other adjustments.

### 3.5.3.8 Net lending/net borrowing of social security funds

Data reported in the working balance is used for the calculation of B.9 reported in the last line in EDP Table 2D.

## 3.5.4 EDP table 3E

### 3.5.4.1 Transactions in financial assets and liabilities

**Table 10 – Data used for compilation of transactions and of stocks of financial assets and liabilities**

	Assets							Liabilities						
Source Data	F.2	F.3	F.4	F.5	F.6	F.7	F.8	F.2	F.3	F.4	F.5	F.6	F.7	F.8
	Calculation of transactions													
Transaction data ( integrated in public accounts)	X	X	X	X		X	X			X			X	X
Other transaction data						X	X						X	X
Stock data	X	X	X	X		X	X			X			X	X
	Calculation of stocks													
Transaction data	X	X	X	X		X	X			X			X	X
Stock data	X	X	X	X		X	X			X			X	X

The financial accounts of social security funds are an integrated part of the data transmission of the main social security institutions (SSI), the investment vehicle (SICAV) and the CPFEC. In addition, banking statistics are used for counterpart information of the SICAV.

- The main SSI data are provided on a monthly basis. They contain opening balance stocks and monthly transactions;
- The SICAV data is monthly and annual. It contains stocks (balance sheet) and transactions (profit and loss account) and is completed with monthly banking statistics on counterpart information;
- The CPFEC data is annual and contains stocks (balance sheet) and transactions (profit and loss account).

*Assets: Currency and Deposits - F.2*

The main SSI data is based on an opening balance and the monthly transactions. This source constitutes by far the biggest part of F.2. The part contributed by the SICAV and the CPFEC is based on balance sheet information, thus stocks.

*Assets: Debt Securities - F.3*

Neither the main SSI nor the CPFEC hold debt securities. The debt securities of the SICAV are based on stock information on the instrument from the SICAV balance sheet as well as on revaluation information on the balance sheet and on the profit and loss account.

*Assets: Loans - F.4*

Loans on the assets side are a part of the main SSI and therefore calculated with an opening balance and monthly transactions. The SSI data contains counterpart information.

*Assets: Shares and other Equity - F.5*

In recent years, the complete F.5 of social security funds is the Portfolio investment of the SICAV. As for F.3, F.5 is based on stock information on the instrument from the balance sheet as well as on revaluation information on the balance sheet and on the profit and loss account.

*Assets: Financial derivatives - F.71*

The financial derivatives are mainly hedge instruments of the SICAV, i.e. forward foreign exchange contracts and swaps. As stipulated by ESA2010 §5.229, the assets as well as the liabilities are recorded on the assets side.

*Other accounts receivable - F.8*

For the main SSI, F.8 is calculated with an opening balance and monthly transactions. The adjustments included in EDP Table 2D are transactions and are added to the main SSI data to calculate stocks. For the SICAV and the CPFEC, only stock information is available.

*Liabilities: Loans - F.4*

Social security funds do not have long-term debt. Short-term debt is possible in the case of bank overdrafts.

*Net incurrence (-) of other accounts payable - F.8*

The same data is used as for other accounts receivable.

*3.5.4.2 Other stock-flow adjustments*

The following adjustments in EDP Table 3E are always zero:

- Issuance above/below nominal value;
- Difference between interest accrued and paid;
- Redemptions/repurchase of debt above/below nominal value;
- Appreciation/depreciation of foreign currency debt; and
- Changes in sector classification.

### 3.6. Link between EDP T2 and related EDP T3

The monitoring of the link between the individual adjustments in EDP T2 and the related transactions reported in EDP T3 is important for the assessment of GFS data quality.

It is not expected that the adjustments from EDP T2 would be clearly identified in EDP T3.

- First, this is due to different coverage of units, because the adjustments in EDP T2 should refer only to the main entity reported in the WB, while transactions in EDP T3 reflect the whole subsector.
- Second, due to the accounting basis and coverage of transactions reported in the WB. For the former, if the WB is on accrual basis, theoretically there is no need for adjustments in other accounts receivable/payable F.8 in EDP T2, but it should be ensured that the accrual recordings in non-financial accounts are linked to transactions in F.8 reported in EDP T3 and in FA. For the latter (coverage of transactions), the WB balance as reported in EDP T2 typically does not cover all financial flows, since some are booked in the so called extra-budgetary accounts of the main entity.
- Third, adjustments/transactions reported in EDP T2A are non-consolidated, since they refer to the main entity only, as recorded in the working balance (e.g. loans, other accounts receivable/payable, etc.), while financial transactions recorded in EDP T3 refer to the whole subsector and they are consolidated.

As far as specific imputations are concerned, such as debt cancellation, debt assumption etc., which are reported in EDP T2, these should be reflected also in financial accounts and EDP T3 under the related financial instrument.

Therefore, in order to ensure consistency between non-financial and financial accounts and quality of GFS data, statisticians are to be able to explain and to quantify a link between flows reported in EDP T2 and EDP T3.

#### 3.6.1 Coverage of units

The coverage of entities reported in EDP Tables 2 and 3 is identical; there are no deviations in the sector delimitation in data used for EDP Tables 2 and EDP Tables 3.

#### 3.6.2 Financial transactions

##### *Central and local government*

The financial transactions in the WB are not used as the main data source for the compilation of the financial accounts which are based on specific data sources. Corrections made to the working balance as reported in EDP Tables 2 are reflected if necessary with corresponding recordings in the financial accounts and thus in EDP Tables 3. In order to ensure coherence between both tables financial transactions reported in EDP Tables 2 are reconciled with the corresponding ones in Tables 3. Differences between both tables are due to different coverage of units, to the accounting basis and coverage of transactions reported in the WB.

##### *Social security funds*

There are no financial transactions included in the working balance of EDP Table 2D. For EDP Table 3E, the balance sheet items of the main social security institutions are based on opening balance information and monthly transactions.

#### 3.6.3 Adjustments for accrued interest D.41

EDP Table 2A as well as EDP Table 3B contain adjustments on accrued interest recorded for *central government* and impacting B.9.

As no adjustments for accrued interest are recorded for *local government*, this item is zero in EDP Table 2C as well as in EDP Table 3D. This is also the case for *social security funds*, therefore, this item is also zero in EDP Table 2D as well as in EDP Table 3E.

#### **3.6.4 Other accounts receivable/payable F.8**

The items “Other accounts receivable/payable (F.8)” in EDP Tables 2 reflect accrual adjustments on non-financial accounts, for instance on taxes or social contributions, whereas the items “Other accounts receivable/payable (F.8)” in EDP Tables 3 reflect all the F.8 transactions, including the accrual adjustments on non-financial accounts. Accrual adjustments on taxes and social contributions are thus fully reflected in the financial accounts and EDP Tables 3.

#### **3.6.5 Other adjustments/imputations**

As data on PPP contracts is included in the special funds (special fund for the guarantee law), the imputation for PPPs is included in EDP T2A under “Non-financial transactions not included in the working balance” (special funds). In EDP T3B, the imputed debt is included under the items “Loans (F.4)” – Increase / Reduction.

### **3.7. General comments on data sources**

For budgetary *central government* data, the data sources remain more or less stable, even though for some years special funds are added. For extra-budgetary data, the data sources become more and more heterogeneous because with ESA2010, a number of non-financial and financial corporations have been reclassified into general government.

For *local government*, a new chart of accounts has been introduced in 2013 leading to possible breaks in series for some aggregates. From that year onwards, the data provided by the MoI is transmitted in harmonised Excel files.

For *social security funds*, the existing chart of accounts was thoroughly revised in 2013. In addition, with the introduction of ESA2010, the investment vehicle of the National Pension Insurance Fund was reclassified inside social security funds leading to the apparition in this sub-sector of a financial entity.

### **3.8. EDP table 4**

Table 4 – The statements on the provision of additional data contained in the Council minutes of 23/11/1993 request the submission of trade credits and advances, amounts outstanding in the government debt from the financing of public undertakings, differences between the face value and the present value of government debt and GNI at market prices.

#### **3.8.1 Trade credits and advances**

General government trade credits and advances on the liabilities side are due to central government and social security funds trade credits and advances.

Trade credits and advances for central government consist of trade credits and advances of public establishments and public corporations classified inside central government and are taken directly from public establishments and public corporations balance sheets.

Trade credits and advances for social security funds are mainly credits on social transfers in kind, and some small amounts of advances on output and intermediate consumption, mainly related to rent. The information on trade credits and advances is included in the detailed accounts of social security funds.

Data in Table 4 on trade credits and advances are consistent with trade credits and advances recorded in the questionnaire related to EDP (Table 4.1.2. Other accounts payable reported in EDP Table 3A).

As trade credits and advances in Table 4 and the item " Net incurrence (-) of other accounts payable (F.8)" in EDP Table 3 are part of the same compilation system, in which data on trade credits and advances are included as a separate entry, consistency between the two tables is ensured.

#### **3.8.2 Amount outstanding in the government debt from the financing of public undertakings**

Government does not borrow on behalf of public corporations.

## 4. Revision policy used for annual GFS

This section relates to the revision policy concerning annual non-financial and financial government accounts. It describes the country policy for revisions with and without impact on the deficit (non-financial accounts for general government) and debt (financial accounts for general government).

### 4.1. Existence of a revision policy in your country

#### 4.1.1 Relating to deficit and non-financial accounts

For deficit and non-financial accounts, general government data are revised every EDP notification up to 4 years backwards. After a year is “closed” at T+4 years, it will only be revised at major benchmark revisions. All ESA2010 data in relation to EDP (ESA Tables 0200, 0900 and 1100) are revised at the same cadence and are sent at the same time as EDP notifications to Eurostat, ensuring total coherence for the complete set of government accounts twice a year.

##### *Central government*

For budgetary central government, the following versions are used for the State budget and accounts and for detailed expenditure and revenue information on special funds and SEGS:

- The draft budget for year T+1, available in December of year T which includes the draft budgets for T+1, the adopted budget for T and the provisional accounts for T-1;
- The adopted budget for T+1, available in August of year T+1;
- The provisional account for year T-1, available in February of year T;
- The final State account “Compte Général de l’Etat” for year T-1, available in August of year T.

For extra-budgetary central government, the final accounts generally become available 5 to 8 months after the end of the exercise at the earliest.

Initial revision is carried out for the EDP notification of April, which is based on the provisional central government accounts.

The next revision is carried out for the October EDP notification, which is based on the final central government accounts.

##### *Local government*

For local government, initial revision is carried out for the EDP notification of April of the following year on the basis of the first accounts (rectified budgetary data). Data on the municipal tax on trade and on transfers between central government and the municipalities are updated at the same time as data on budgetary central government.

The data from the MoI which includes the budget approved by the Ministry for the year T for the April EDP notification, the amended budget approved by the Ministry for the year T-1 also for the April EDP notification, as well as provisional accounts for the year T-1 for the October EDP notification by unit are first sent out after mid-February of year T.

Revision policy used for annual GFS

In general, the first version sent does not yet include all of the municipalities, municipal associations and social offices. The file is updated in July of the same year.

#### *Social security funds*

For social security funds, initial revision is carried out for the EDP notification of October on the basis of the detailed accounts. The file for year T-1 submitted in July of year T contains the final accounts.

The updates to the social security accounts made by STATEC therefore mainly concern central government transfers to the social security institutions included in the State budgets and accounts. This means that the data on transfers between central government and social security bodies are updated at the same time as the data on budgetary central government.

### **4.1.2 Relating to debt and financial accounts**

Financial accounts of general government are continually revised. Major and minor revisions are included in each quarterly update, as financial accounts source data are on a quarterly basis and compiled with a time lag of t+3 months. Routine revisions are coordinated and synchronised with the institutions that provide source data. There is no specific revision calendar. Revisions are regularly reported as metadata.

### **4.2. Reasons for other than ordinary revisions**

In case the Supreme Court of Auditors would discover accounting errors, these would be corrected in the next ordinary revision.

In the case of new data sources, they will be implemented as soon as possible for years relevant for EDP purposes. Full implementation for all historical years will only be possible in the framework of major revisions.

Major changes in methodology affecting deficit and debt are implemented on the occasion of major revisions, taking into account the available resources and the time necessary for the implementation of such revisions.

Following recommendations from Eurostat in relation to EDP dialogue visits, minor methodological changes are implemented as soon as possible in the subsequent EDP notification.

### **4.3. Timetable for finalising and revising the accounts**

Please refer to section 4.1.

## C. Methodological issues

### 5. Sector delimitation – practical aspects

#### 5.1. Sector classification of units

General government is defined by ESA2010 §2.111 as "... institutional units which are non-market producers whose output is intended for individual and collective consumption, and are financed by compulsory payments made by units belonging to other sectors, and institutional units principally engaged in the redistribution of national income and wealth". Moreover, §20.05 specifies that the general government sector "consists of all government units and all non-market non-profits institutions (NPIs) that are controlled by government units. It also comprises other non-market as identified in paragraphs 20.18 to 20.39".

It is necessary to determine:

- a. if it is an institutional unit (ESA2010 2.12 describes the rules according to which an entity can be considered as an institutional unit)
- b. if it is a public institutional unit (ESA 2010 §20.18 and MGDD I.2.3 – define the notion of control by the government over an entity as "the ability to determine the general policy or programme of that entity"... According to the list of criteria listed in ESA 2010 §20.309)
- c. if it is a non-market public institutional unit - reference to "Market-non-market delineation" (ESA 2010 §20.19 to §20.28 and MGDD I.2.4)"

The general government sector (S.13) includes only institutional units which are non-market producers whose output is intended for individual and collective consumption and non-autonomous units treated as an integral part of general government.

The ability to undertake a market activity is checked notably through the usual qualitative and quantitative market-non-market criteria.

As far as the quantitative criterion is concerned, a public unit is considered a market producer if it covers at least 50% of its costs by its sales over a sustained multi-year period (3 years).

- Sales of goods and services correspond to sales receipts, in other words to the market output (P.11; including products added to the inventories of finished goods and work-in-progress) increased by payments for non-market output (P.131), if any. Own-account production (P.12) is not considered as part of sales in this context. Sales exclude also all payments received from government unless they are granted to other producers undertaking the same activity i.e. all payments linked to the volume or value of output are included, but payments to cover an overall deficit or settle debts are excluded (part of subsidies on products (D.31)).
- Production costs are the sum of intermediate consumption (P.2), compensation of employees (D.1), consumption of fixed capital (P.51c) and other taxes on production (D.29) increased by the net interest charge (D.41) and decreased by the value of any imputed production, notably own-account production. Subsidies on production are not deducted.



Government controlled units classified outside general government which have total liabilities larger than 0.01% of GDP are annually tested. The remaining government controlled entities classified as public corporations (outside general government) are being continuously monitored. For those entities, market/non-market tests usually cover the three last years available of individual data from the profit and loss accounts available at the Luxembourg business register. Theoretically, the profit and loss accounts should be available in T+7 months, but often there are delays until the accounts of public corporations become available.

Four qualitative criteria for sector/sub-sector classification are taken into account:

- the notion of economically significant prices, i.e. if prices have a substantial influence on the amounts of products producers are willing to supply and on the amounts of products that purchasers wish to acquire as described in ESA2010, so that the producer has an incentive to adjust supply either with the goal of making a profit in the long run or, at least, of covering capital and other production costs, including consumption of fixed capital, by sales;
- the general criteria of the purchaser of the output of a public producer as described in ESA2010 § 20.23-20.28;
- the presence or absence of competition with private producers, for instance through tendering for contracts;
- the provision of ancillary services.

In order to find out when a new unit is created different sources are used:

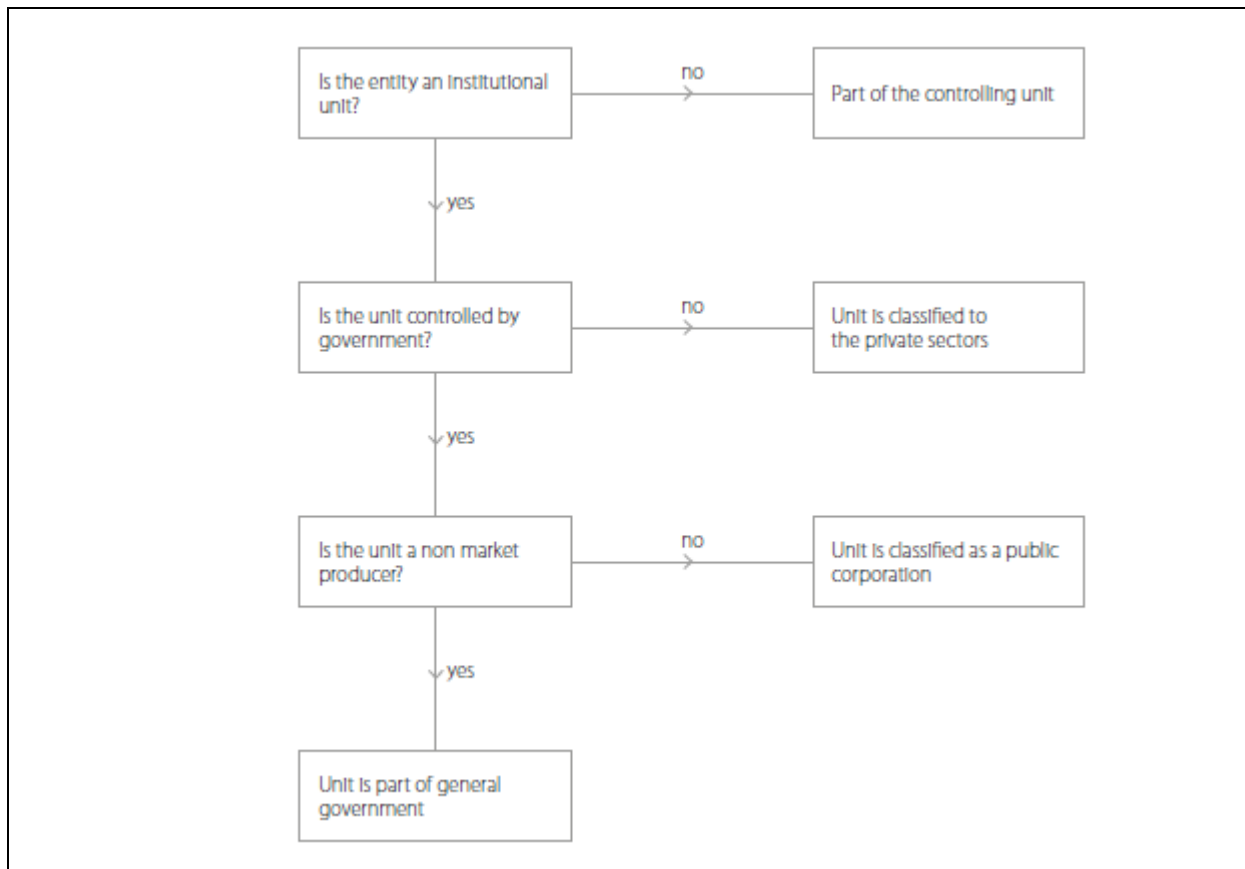
- new core government units will appear in the State budget, in the data transmitted by the MoI or in the data provided by the IGSS;
- extra-budgetary central government entities and other government bodies are identified by the budget statements, data reported in the Working Balance of the sub-sectors, information on State participations from the Treasury, the financial statements of public corporations and the media;
- the business register is used to monitor the list of government controlled entities, the entities classified inside general government and the appearance of new entities with different legal statuses prone to possible reclassifications (NPIs, public establishments, and so on).

STATEC decides on the classification, more precisely the unit responsible for the business register in collaboration with the division responsible for macro-economic statistics. Please refer to the organisation chart in Annex I. The unit responsible for general government accounts is involved in the classification of public sector entities.

### 5.1.1 Criteria used for sector classification of new units

In a first step, new units are classified according to their legal status and the general description of their activities. But even if the legal status and the activity of the new unit classified according to the NACE Rev. 2 classification are significant indicators, those are not sufficient. Further rules of ESA2010 and MGDD are applied for specific units, for instance for the sovereign wealth fund FSIL.

The following decision tree is applied:



### 5.1.2 Updating of the register

The list of government entities is an integrated part of STATEC's business register. Some entities in the register are given a sector code based on automatic use of some characteristics (legal status and industry) while others are classified after manual treatment.

Particularly public control and the market/non market criteria of public sector units are monitored continuously. This leads to recurrent reclassifications and updates of the business register. The re-examination is a manual process and is done at least once a year on an individual basis.

For the market/non-market (50%) test, please see above.

The business register classification is immediately updated for re-classifications and changes due to erroneous classification of units, as soon as the error is identified, but in general these

modifications are only implemented in national accounts when historical data are revised, except for significant re-classifications relevant to the delimitation of general government (e.g. the reclassification of the national railway company “Société nationale des Chemins de Fer Luxembourgeois - SNCFL”). Such reclassifications are implemented in general government accounts as soon as the decision of a reclassification is taken and the data is available.

### **5.1.3 Consistency between different data sources concerning classification of units**

Statistical surveys are based on the classification in the business register, thus consistency of classification in public accounts with classification in statistical surveys is assured.

The statistical register and the Money and Banking Statistics are consistent, except for the SNCI. Indeed, the SNCI is classified in the business register inside central government (S.1311), but in the Money and Banking Statistics of the National Central Bank “Banque Centrale du Luxembourg – BCL” and the European Central Bank (ECB) in the sector of financial corporations (S.12) as the entity is included in the Monetary Financial Institutions (MFI) list.

Non-financial accounts and financial accounts of general government are both produced by the same unit of STATEC; hence consistency of classification of financial accounts with classification of non-financial accounts is in principle assured.

## 5.2. Existence and classification of specific units

Non-profit institutions (NPIs) that are non-market producers and are controlled by government units are classified inside general government.

No quasi-corporations are included in general government sector.

The criterion for the classification of public infrastructure companies is the market/non-market test. Thus the national railway company (SNCFL; main activities: management of railway infrastructure and passenger transport) and the tramway company (Luxtram S.A.) of the City of Luxembourg are classified inside central government (S.1311) as non-market producers.

The CFL cargo and logistics subsidiaries are however market producers and classified as public non-financial corporations (S.11001) as well as the public airport (lux-airport S.A.), the public port (Société du Port de Mertert S.A.), the public mail and telecommunications corporation (POST Luxembourg) and public utility companies (water supply and electricity, gas, steam and air conditioning supply).

Road infrastructure is included in general government as it is provided free of charge. Further, there are no separate legal (institutional) units dedicated to road infrastructure except of the core entities of central and local government (Ministry of Transport, National Road Administration and municipalities).

The university (Université de Luxembourg) and public schools are classified inside general government. Private schools are classified within the non-profit institutions serving households (NPISHs) sector (S.15), if they are largely funded by government. Educational units which are not controlled by government and mainly financed by school fees are classified as national private non-financial corporations (S.11002).

The only state-owned public broadcaster in Luxembourg, the public socio-cultural radio station “Radio 100.7” is classified inside central government (S.1311).

Public hospitals are classified inside general government.

Special purpose units of general government are treated as an integral part of general government and not as separate units as they do not have the power to act independently and are restricted in the range of transactions they can engage in. The main special purpose vehicles (SPVs) are:

- The investment vehicle of the National Pension Insurance Fund is classified in the sub-sector of social security funds;
- the sovereign wealth fund FSIL is classified inside central government (S.1311); and
- the Luxembourg Treasury Securities S.A (corporation involved in the issuing process of the “Sukuk” in 2014) is also included in the central government sub-sector.

The main public units/groups involved in financial activities are:

- Banque et Caisse d'Epargne de l'Etat (BCEE), a self-governing public law institution classified as a public deposit-taking corporation (S.12201) and the subsidiaries of the BCEE group treated as public financial corporations;

## Sector delimitation – practical aspects - Existence and classification of specific units

- the Office du Ducroire, a public institution with legal personality, designed to support Luxembourg exporters while trading internationally, mainly by providing credit insurance schemes for exports, imports and investments abroad, classified as a public insurance corporation (S.12801);
- the SNCI, a public-law banking institution specialised in medium and long-term financing of Luxembourg based companies included in the MFI list, but treated as a captive financial institution and classified inside central government (S.1311); and
- the investment vehicle of the National Pension Insurance Fund, classified in the sub-sector of social security funds (S.13140).

## 6. Time of recording

This section describes the time of recording for taxes and social contributions, EU flows, military expenditure, interest and other transactions (subsidies, current and capital transfers and financial transactions).

The time of recording is defined in ESA2010 §1.101. It is the accrual basis, meaning when economic value is created, transformed or extinguished, or when claims and obligations arise, are transformed or are cancelled.

### 6.1. Taxes and social contributions

Council Regulation 2516/2000 amended the Regulation on European system of national and regional accounts in the Community (ESA) 95 as concerns taxes and social contributions and clarified the rules concerning both the time of recording and the amounts to be recorded.

#### 6.1.1 Taxes

This section describes the methods of recording of taxes on an accrual basis. The time of recording of taxes is defined in ESA2010 §4.26 and §4.82 as the time "...when the activities, transactions or other events occur which create the liabilities to pay taxes".

For all types of taxes - taxes on production and imports (D.2), current taxes on income, wealth etc. (D.5) and capital taxes (D.9) - the amounts recorded are the amounts actually received, except for VAT, for which the amounts due are recorded, as VAT is the only tax for which both the declared and the received amounts are known.

#### *Time of recording*

Taxes may be recorded at three different times:

- at the time when the activities, transactions or events giving rise to a tax liability take place;
- during the period when a tax liability is determined;
- during the period when the tax was paid.

In principle, all taxes on goods imported or produced nationally (D21) are recorded at the time when the activities, transactions or other events giving rise to a tax liability take place.

Taxes deducted at the source on wages, social security payments deducted from wages (employers' and employees' shares) and social benefits (unemployment, pension payments, etc.) are also recorded at the time when the activities, transactions or other events giving rise to a tax liability take place.

Most other taxes on production (D.29), taxes on business and self-employed income (part of D.51) as well as other current taxes (D.59) and capital taxes (D.91) are, with a few exceptions, recorded during the period when the tax liability is determined.

#### *Time adjustment method*

The following methods are used for time adjustments:

## Time of recording – Taxes and social contributions

- Time adjustments are made by the tax office on the basis of detailed information on the time of the taxable transactions and the time when the tax in their database was paid. This is the case for all taxes on products which are paid to the customs authority, such as excise taxes on mineral oils, alcohol and tobacco.
- Time adjustments are calculated by STATEC on the basis of detailed data on payments of the tax by year of payment and the year of economic origin of the tax, detailed information on back taxes per year of activity, and on the situation of the debtor company (active, activity suspended, wound up, bankrupt). This is the case for VAT. Moreover, VAT is the only tax for which the amount due and the amount paid (adjusted for the time when the activity generating the tax liability took place) are available. In recent years, the amount paid has been estimated without including arrears from businesses having suspended activities, wound up or bankrupt. More than 99% of the figures are final after two years.
- The adjustment is estimated on the basis of the difference between the time of the monthly payments and the time when the activity generating the tax liability took place or the time for which the tax is due. The same method is used for most of the other taxes.

The table in Annex II provides information on the data providers, the time of recording and the method of adjusting the timing for all the taxes.

Time adjustment is not undertaken for any taxes for which only annual statistics on payments are available (See the list of the taxes concerned in the attached table in Annex II). Time adjustment would not in any case be necessary for some of these taxes, such as tax on land and buildings, which is paid once or twice a year (depending on the amount).

STATEC also decided not to carry out time adjustment on the wealth tax, since the amount of the tax is set every three years, and it is then paid quarterly (constant amounts).

Amounts measured using assessments and declarations are known only for VAT, through the monthly, quarterly and annual VAT declarations. However, detailed data on payments and tax arrears are used in the accounts. For VAT the part unlikely to be collected is neutralised by reducing the amounts of taxes payable, by the different sectors and receivable by the general government sector. For VAT, figures are revised annually on the basis of detailed information on arrears.

The method used is assessed amounts recorded entirely as revenue.

Data and information on taxes is collected and provided by the different tax administrations:

- Administration des Contributions Directes (ACD);
- Administration des Douanes et Accises (ADA);
- Administration de l'Enregistrement et des Domaines (AED).

STATEC compiles the data for EDP tables and related questionnaires.

All reimbursements, refunds and final settlements are recorded in the year in which the taxes accrue.

Data on fines and penalties imposed by tax authorities is available on a quarterly and annual basis and are recorded as other miscellaneous current transfers (D.759).

Data on interest on late payments is available on a quarterly and annual basis and is recorded as D.41 receivable.

The final statement for personal income taxes is published in November three years after the year of accrual (year  $t+3$ ). The final statement for other taxes is published in earlier versions.

### **6.1.2 Social contributions**

The time of recording of social contributions is defined in ESA2010 §4.94 as "... the time when the work that gives rise to the liability to pay the contribution is carried out..." for employers and employees social contributions, and as "... when the liabilities to pay are created" for self-employed and non-employed persons.

For social contributions received by *social security funds*, the amounts recorded in national accounts are the amounts booked according to the accrual recording of the IGSS which is additionally adjusted by STATEC.

According to *social security funds* accounting rules, social contributions are recorded on an accrual basis. The amounts of social contributions referring to previous accounting years can be identified with the additional information of the year which they refer to. Accordingly, social contributions recognised as unrecoverable or received unduly are recorded in *social security funds* accounts as expenditure, again with the additional information of the year which they refer to.

The change from *social security funds* accounting to national accounts recording consists first in the use of the additional information of the year social contributions refer to, in order to accrue the contributions as correctly as possible and second in reclassifying unrecoverable and unduly received social contributions as negative revenue. Finally, for future years, a coefficient is estimated according to the stipulations of ESA2010 §4.95.



## 6.2. EU flows

The issue of recording EU flows is important for national accounts, especially government accounts, because – due to the institutional arrangements – in general all amounts transit via government accounts. In order to avoid potential effects on the level of government deficits, countries have to eliminate these flows from public accounts. Eurostat, after the consultation with Member States, released a decision in February 2005. The ESA2010 Manual on government deficit and debt Chapter II. 6 “*Grants from the EU budget*” provide further details concerning the recording of these flows.

### 6.2.1 General questions

#### *EAGF - European Agricultural Guarantee Fund*

The operations relating to the European Agricultural Guarantee Fund are recorded on the third party operations budget. The amounts are transferred directly to farmers by Treasury advances. The Ministry of Agriculture subsequently sends a monthly declaration for reimbursement to the European Commission and repayments are accordingly recorded in the third party operations budget on the revenue side. Transactions are therefore not included in government accounts and no correction is necessary.

#### *EAFRD - European Agricultural Fund for Rural Development*

Before 2007, all national and EU expenditure related to EAFRD were performed either through the State budget or through the special fund “Economic and Social Guidance Fund for agriculture”. From 2007 onwards, all expenditure is made through the special fund. The final beneficiary is the private sector. The receipts from the EU relate to all projects co-financed by the Luxembourg government and the European Union. The State pre-finances the projects at 100% and the EU reimburses some of the expenses.

Co-financing rates vary according to the category of action:

- Axis 1 Competitiveness: 20% of Community reimbursement;
- Axis 2 Environment and Landscape: 25% of Community reimbursement;
- Axis 3 Rural areas: 40% of Community reimbursement;
- Axis 4 Leader: 40% of Community reimbursement.

#### *ESF - European Social Fund*

Before 2000, the activities co-financed by the ESF transited either through the State budget or through the central government special fund for employment.

Since 2000, all ESF operations are recorded in the third party operations budget. Only the part co-financed by the government is recorded as expenditure of the special fund for employment, whereas the part co-financed by the EU passes through the third party operations budget.

#### *ERDF - European Regional Development Fund and INTERREG*

In principle, most of the ERDF funds flow only through the third party operations budget. The revenue recorded in the State budget relates to the participation of the ERDF in expenditure resulting from the development of industrial areas and the execution of similar work carried out by government. The last amounts were booked in 2012. The revenue relates mainly to developments from back years. The INTERREG transactions are also recorded in the third party operations budget.

The IGF, the Ministry of Economy and the Ministry of Agriculture provide source data for EU flows. Accrual adjustments are booked for EU flows relating to ERDF/INTERREG.

### **6.2.2 Cash and Schengen facility:**

The time of recording of payments received by the beneficiary Member States through Schengen and Transitional Facilities would be accounted according to the Eurostat decision on EU flows, while the time of recording of Cash-flow Facility is when the transfers are to be made by the Commission. In practice, in this particular case, the amounts would be recorded as revenue in the years in which they were received by the beneficiary countries.

Luxembourg is not receiving cash through transitional or Schengen facilities.

### **6.2.3 Jeremie/Jessica**

The European Commission and the European Investment Bank Group and other International Financial Institutions on financial engineering in cohesion policy, the European Commission drew up new initiatives for improving access to finance of European corporations. These initiatives require the involvement of EU governments (as in the case for other cohesion and structural policy instruments). EU Member States implement the JEREMIE and JESSICA initiatives by establishing a Holding Fund funded through their Structural Fund receipts from the European Commission and national contributions. The Holding Fund (HF) can be managed either by the EIF or by other financial institutions, according to the EU Structural Funds legislation applicable. In this context, the "Managing Authorities" can award management either directly to the EIF or any national institution which benefits from public procurement exemption under national law through a grant agreement, or indirectly by way of tender to a financial institution through a service contract. Holding Funds can be set up either as "*ring-fenced blocks of finance*" or as bank accounts managed by the Holding Fund manager on behalf of and in the name of the Managing Authority, or as an independent legal entity (Special Purpose Vehicle – SPV).

The Jeremie/Jessica programmes are not implemented in Luxembourg.

### **6.2.4 Market Regulatory Agencies**

Market regulatory agencies are bodies whose intervention activities are mostly characterised by buying and selling products, often on behalf of the EU, with an aim to stabilize prices and to maintain purchasing prices to farmers at a sufficiently high level: they offer buying agricultural products from domestic producers at a predetermined price (often higher than "market" prices) and reselling them usually at a lower price later on and occasionally arranging for giving them away free of charge. These agencies can be involved in storing agricultural inventories, or in arranging for storage, as well as in distributing subsidies.

The question is whether the principle of re-arranging EU transactions would also apply to the recording of changes in inventories (P.52) arising from the interventions of agricultural market regulatory agencies in the market. According to the guidance, in those circumstances where a market regulatory agency acting on behalf of the EU is classified inside general government, the creation of a unit in S.11 is recommended in order to capture the changes in agricultural inventories, and to avoid that such changes in inventories are recorded in national government accounts (as changes in government inventories, with an impact on the government deficit/surplus) or in the rest of the world accounts (as exports and imports). The unit to be created to capture these changes in inventories is a quasi-corporation, rather than a

notional unit, in order to ensure an equality of treatment with cases where market regulatory agencies are classified outside government. This is also appropriate because any temporary difference in value arising from changes in market value of these inventories not yet covered by subsidies is likely to be small and on average zero.

In back years, the Ministry of Agriculture acted as a regulatory agency through public storage of agricultural products on behalf of the EU. Purchases and sales of agricultural products on account of the EU for market regulation purposes were executed by the Ministry of Agriculture via private corporations. These operations appeared on the third party operations budget and were therefore not included in the revenue and expenditure of general government accounts.

The storage costs were paid by the State budget and subsidized by the EU. The difference between revenue and expenditure being negligible, no accrual correction was booked. In recent years, there have not been any market regulatory activities in Luxembourg.

In the context of MRAs, no changes in inventories are booked in government accounts.

### **6.3. Military expenditure**

The ESA2010 principle on accrual recording, when applied to military expenditure, is generally the time when the economic ownership of the good occurs, which is usually when delivered.

ESA 2010 paragraphs 20.190-20.192 define the rules for the statistical recording of military equipment. Chapter II.5 in Part II of the ESA 2010 MGDD details the rules concerning the recording of military expenditure.

#### **6.3.1 Types of contracts**

Since 2000, the special fund for military equipment finances the acquisition of military equipment needed for peacekeeping missions undertaken by the Luxembourg army, for instance:

- acquisition of a transport plane A400M;
- acquisition of armoured reconnaissance vehicles;
- acquisition of helicopters.

The delivery of the A400M plane is planned for 2020. Since 2005, the government pays advances for the plane and, in more recent years, for other military equipment, too.

According to ESA2010 § 20.191, in case of long-term contracts involving complex systems, the time of recording of the transfer of assets should be upon actual delivery of the assets, not the time of cash payments. According to these stipulations, the advances are treated in national accounts as F.81.

The data for the recording of military equipment is provided by the IGF.

#### **6.3.2 Borderline cases**

There are no borderline cases relating to classification of military goods or other equipment used by military forces.

#### **6.3.3 Recording in national accounts**

The time of recording in national accounts and EDP tables of military equipment expenditure is in line with the ESA2010 (§ 20.191) and MGDD (Part II.5) stipulations.

## 6.4. Interest

This part aims at describing accrual adjustment for interest.

ESA2010 paragraph 20.178 reads: *"In the system, interest is recorded on an accrual basis, i.e. interest is recorded as accruing continuously over time to the creditor on the amount of principal outstanding"*

ESA2010 MGDD part II, chapter II.4 is dealing with some practical aspects of the recording of interest.

### 6.4.1 Interest expenditure

**Table 11 – Availability and basis of data on interest**

Instrument	S.1311		S.1312		S.1313		S.1314	
	State	OCGB	Main unit	OSGB	Main unit	OLGB	Main unit	OSSB
<b>Deposits (AF.2)</b>	Cash/ Accrual	Accrual	M	M	Cash	Cash/ Accrual	Accrual	Accrual
<b>Debt Securities (AF.3)</b>	Accrual	Accrual	M	M	M	M	Accrual	M
<b>Loans (AF.4)</b>	Cash/ Accrual	Accrual	M	M	Cash	Cash/ Accrual	Accrual	Accrual
<b>Other accounts receivable (AF.8)</b>	Cash/ Accrual	M	M	M	Cash	Cash	M	M

*Cash/accrual, M (not applicable) or L (not available)*

#### *Central government*

For budgetary central government, data is provided by the IGF and the Treasury. The payment of interest on public debt (as well as the debt repayment) is operated through the central government special fund for public debt. The special fund includes interest expenditure on public debt, i.e. loans and issued debt securities.

For the needs of national accounts, the Treasury provides to STATEC a list of the bank loans and debt securities with amounts of interest due and accrued.

For linear bonds (OLUX) issued by the Luxembourgish government between 1993 and 1997, the "premiums" and "discounts" made when issuing successive slices were distributed over their entire lifetime. The latest OLUX expired in 2007.

For extra-budgetary central government, data is obtained from profit and loss accounts provided by the IGF. As these entities apply in general the private corporation accounting rules, interest is in principle recorded on an accrual basis. Interest expenditure mainly refers to bank loans and bank overdrafts, except for the SNCI which had issued before 2006 non-negligible amounts of debt securities. For extra-budgetary central government entities, no additional accrual correction is made.

The interest recorded in the framework of the central government special fund for the guarantee law represents interest related to PPP contracts with the assets classified on central government balance sheet. Recorded interest is accrued and source data is provided by the IGF.

*Local government*

For local government basic data is provided by the MoI. Interest expenditure refers, with one exception, to bank loans or bank overdrafts and they are recorded on a quarterly basis. No correction was made for the only debt securities of local government (Municipality of Luxembourg expired in 2004).

*Social security funds*

For social security funds, interest expenses refer to bank overdrafts as social security funds have in general no debt. For back years, in the framework of financial leasing contracts, an interest correction was imputed.

## **6.4.2 Interest Revenue**

*Central government*

Basic data on interest revenue for the main unit of central government is provided by the IGF and the State Treasury. Until the reference year 2000, the Treasury has recorded interest revenue on deposits as “accrued” interest, i.e. accrued interest was distributed pro rata to the different budget years. The Law of 8 June 1999 on budget, accounting and State Treasury specifies in its article 9, paragraph 3 that tax revenue and revenue from the investment of cash of the Treasury is imputed on the year in which it is collected. From the fiscal exercise 2001 onwards, interest revenue is recorded when due, according to the instructions of the law of 8 June 1999.

Since 2005, the Treasury provides data according to the concept of accrued interest. For interest on short-term placements of liquidity no correction is made.

For extra-budgetary central government, data is obtained from profit and loss accounts provided by the IGF. Accounts of extra-budgetary central government, i.e. public establishments and public corporations, follow in most cases private corporation accounting rules: interest is usually recorded on an accrual basis. For this reason, no additional accrual adjustments are booked on interest revenue of extra-budgetary central government entities.

Interest revenue recorded in the framework of the special fund for the guarantee law constitutes interest related to PPP contracts with the assets classified on central government balance sheet. Recorded interest is accrued. Source data is provided by the IGF and the MDDI.

*Local government*

For local government basic data is provided by the MoI. Interest revenue relates mainly to interest on deposits and it can be assumed that due and accrued interest differs only marginally. No correction is made.

*Social security funds*

For social security funds, data is taken from social security funds accounts. The back years’ charts of accounts of social security funds advocated in principle the recording of interest revenue as accrued interest. From 1996 on, instructions from the chart of accounts of social security funds foresaw on the other hand the recording of interest at maturity for income on securities, investments and short-term loans with a due date of less than one year.

Currently no correction is made in national accounts. The IGSS proceeded to modify the instructions in relation to the recording of interest by a circular letter of 21 December 2006 to social security funds. Accordingly, interest is now recorded on an accrual basis.

According to the law of 6 May 2004, the public establishment “Fonds de compensation commun au régime général de pension” was created with the mission of managing the reserve funds of the general pension scheme. In the context of the implementation of this law the public establishment created in 2007 the investment vehicle of the National Pension Insurance Fund (Fonds de Compensation de la Sécurité Sociale, SICAV-FIS), a mutual fund whose main purpose is to manage the pension reserves with investments, mainly in securities and shares for an indicative amount of EUR 16 billion in 2018. With the introduction of ESA2010, the investment vehicle was reclassified from financial corporation into social security funds. Interest revenue of the investment vehicle is booked on an accrual basis. For this reason, no additional accrual adjustments are booked on interest revenue.

### 6.4.3 Consolidation

The identification of interest flows between public administrations is done as follows:

- Loans of social security funds to municipalities are taken from the accounts of social security funds.
- The bonds of the State held by social security funds are also taken from the accounts of social security funds.
- Loans granted by social security funds in the framework of the special fund for the guarantee law (public-private partnerships) are provided by the IGF and compared to the loans included in the accounts of social security funds.

Consolidation is applied for all sub-sectors.

### 6.4.4 Recording of discounts and premiums on government securities

Premiums and discounts are included in the working balance of table 2. Both the premium and discount are spread over the life of the securities.

*Social security funds* do not issue securities. In recent years, neither do *local government* and extra-budgetary *central government* entities. In the past, though, the SNCI and the municipality of Luxembourg had issued securities.

## 6.5. Time of recording of other transactions

For *central and local government*, transactions are mainly recorded on a mixed basis, except for extra-budgetary central government, social offices and for most of inter-communal associations, which are recorded on an accrual basis. For *social security funds*, all the transactions are recorded on an accrual basis.

For budgetary *central government*, adjustments are made for the complementary period of the year. In addition, adjustments are booked on transactions when the cash basis differs significantly from the accrual principle and this information is available.

## 7. Specific government transactions

Methodological rules applicable for recording of specific government transactions are set up in the Manual on Government Deficit and Debt (implementation of ESA2010), 2013 edition<sup>21</sup>.

### 7.1. Guarantees, debt assumptions

Generally, government guarantees are recorded off-balance sheet in government accounts (contingent liability), and neither government debt nor deficit is impacted. However, when a guarantee is activated (called), the payment made by government on behalf of the debtor is normally recorded as government expenditure. In case of repeated guarantee calls, the whole outstanding amount of the guaranteed debt should be assumed by government. The latter leads to a one-off increase of government debt as well as of deficit. The accounting rules are explained in the Chapter VII.4 on Government guarantees of the ESA2010 Manual on government deficit and debt. This chapter describes also specific cases and related treatment in national accounts.

#### 7.1.1 Guarantees on borrowing

##### 7.1.1.1 *New guarantees provided*

##### ***Recording in public accounts***

Twice a year, the State Treasury provides a detailed list of guarantees that the budgetary *central government* has granted. The list provided by the Treasury includes information on the legal basis of the guarantee, the maximum amount that a guarantee can be granted for, the amount guaranteed as well as information on which entity the guarantee has been granted to.

The guarantees are granted to public establishments, public and private corporations as well as to corporations under foreign control and to the rest of the world. New guarantees are not recorded separately but they are included in the list of stocks of existing guarantees on 31st of December each year.

Information on guarantees granted by extra-budgetary *central government* entities are collected from their annual reports and the notes added to the balance sheets and profit and loss accounts of these entities.

A list of guarantees granted by *local government*, usually to non-profit institutions, is provided by the MoI. The list includes information on the amounts of guarantees granted, the date the guarantee has been granted, the end date of the guarantee and the entity to which it has been granted.

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<sup>21</sup> <https://ec.europa.eu/eurostat/web/products-manuals-and-guidelines/-/KS-GQ-13-006>



### ***Recording in national accounts***

In national accounts, guarantees granted are considered as contingent liabilities and are therefore not recorded. A list of guarantees granted by sub-sector and divided into one-off and standardised guarantees, including some counterpart information, is published as contingent liabilities on the STATEC website. Only guarantees granted to entities classified outside general government are considered as contingent liabilities.

In addition, the guarantees granted by *local government*, mostly to non-profit institutions, and the guarantees granted by *central government* extra-budgetary institutions are included in the STATEC publication of contingent liabilities.

At present, there are no known cases of debt assumption at inception.

#### ***7.1.1.2 Treatment of guarantees called***

### ***Recording in public accounts***

In public accounts, guarantees called are recorded as expenditure. Debt cancellations and debt write-offs, though, are not explicitly recorded in public accounts reported by public finance cash statistics since no cash transaction takes place.

Until now, when general government has assumed the outstanding amount of debt, the debt has been repaid the same year it has been assumed. No debt has been assumed at inception and no interest has been paid related to assumed debt related to guarantees called.

### ***Recording in national accounts***

In national accounts, a guarantee call is in general recorded as expenditure (capital transfer D.9). The decision, how guarantee calls are recorded in national accounts is taken independently by statisticians.

If a claim were recorded, recoverability would not be assessed in national accounts. Up until now, there was only one guarantee call in Luxembourg for a negligible amount where no claim was recorded.

There have neither been any cases of repeated guarantee calls in Luxembourg nor any cases of regular calls for payments of interest by general government on behalf of a debtor.

#### ***7.1.1.3 Treatment of repayments related to guarantees called***

### ***Recording in public accounts***

If a guarantee call is recorded as expenditure, in public accounts, repayment is recorded as revenue.

### ***Recording in national accounts***

If a guarantee call is recorded as expenditure, in national accounts, repayment is recorded as negative expenditure.

#### ***7.1.1.4 Treatment of write-offs by government in public accounts of government assets that arose from calls, if any***

At present, there is no data directly related to write-offs concerning government guarantees.

#### *7.1.1.5 Data sources*

Individual data on stocks of guarantees granted by the budgetary and extra-budgetary central government are available by year and by beneficiary. Information on guarantees of local government is available, however the amounts are negligible.

#### **7.1.2 Guarantees on assets**

At present, there are no guarantees on assets.

#### **7.1.3. Standardized Guarantees**

All the guarantees are treated as one-off guarantees, except for student loan guarantees. As the amounts of cash called each year are negligible and no reliable estimate of the number of calls under the guarantee can be made, student loan guarantees are not treated as giving rise to financial assets but are treated as contingent assets the same as one-off guarantees.

### **7.2. Claims, debt cancellations and debt write-offs**

Providing loan capital is generally a financial transaction not impacting the net borrowing/net lending (B.9). Government, as a lender, is expecting that the debtor will be in a position to repay the loans, according to a schedule agreed at inception. However, if the loan is non-recoverable, the recording of government expenditure might be considered. The related accounting rules are set up in ESA2010 and further clarified in the Chapter III.2 on Capital injections and Chapter VII.2 on Debt assumption and cancellation of the ESA2010 Manual on government deficit and debt.

#### **7.2.1 New lending**

In back years, before the creation of the public establishment Fonds de Compensation and its investment vehicle, the national (social security) pension fund granted loans to households and non-financial institutions as well as within general government.

For these loans, direct data is available in the accounts of social security funds, opening balance sheets and annual transactions. These are integrated data sources. Depending on the years, data is available on an aggregated level, for example loans to non-financial corporations, or on a detailed level, i.e. by company.

Since the creation of the investment vehicle of the national pension fund, no new loans have been granted.

All the loans are treated as financial transactions.

#### **7.2.2 Debt cancellations**

The State Treasury and the IGF inform on debt cancellations as they are recorded in the State budget. They are recorded in the year in which they occur. In the recent past, there were no debt cancellations by government.

In 2000 government cancelled debt that poor countries had vis-à-vis the 'Office du Ducroire'. This operation was recorded as D.99.

## Specific government transactions - Capital injections in public corporations

The debt cancellation for the period 2001 - 2004 concerns the clearance of the liabilities of the company GEDELUX.S.A. in 2001 (bank debt) covered by a government guarantee. This operation was also recorded as D.99. The company was founded in 1992 (garbage dump management “Haebicht” which was never carried out) and dissolved in 1999; government held 51% in the capital of the company.

In 2005, 2006 and 2007, government repaid the bank debt of the “S.I. des expositions de Luxembourg”. This operation was again treated in national accounts as D.99.

### **7.2.3 Repayments of claims**

Repayments of claims are netted with loans.

### **7.2.4 Debt write-offs**

Debt write-offs are treated according to the Manual on Government Deficit and Debt 2016 (MGDD).

### **7.2.5 Sale of claims**

According to information from the State Treasury, there have been neither cases of sales of bad loans, nor of well performing loans.

There have been no cases of sales of claims in AF.8.

A sale of claim is investigated if an institution listed as having received a loan disappears from the government accounts. For local government there is no procedure to identify sales of claims. There is no direct information available on sale of claims.

## **7.3. Capital injections in public corporations**

Government capital injections are transactions which occur when governments provide assets (in cash or in kind) to public corporations (or assume liabilities), in their capacity of owner / shareholder, with an aim to capitalize or recapitalize them. The accounting rules are set out in ESA2010 paragraphs 20.197-20.203 and clarified in the Chapter III.2 on Capital injections of the ESA2010 Manual on government deficit and debt. These chapters devote considerable space to set the operational rules for the recording of capital injections in national accounts either as transactions in equity (financial transaction = financing = “below-the-line”), or as capital transfers (non-financial transaction = expenditure = “above-the-line”).

It is recalled that the MGDD also indicates that payments by government to public units, structured in the legal form of a loan or a bond, might be considered in specific circumstances as capital injections, and to be classified in certain cases as a non-financial transaction (predominantly capital transfer D.9); cf. MGDD III.2.3.2.2.

Capital injections in public corporations are recorded according to ESA2010 and MGDD instructions.

## **7.4. Dividends**

The accounting rules are set out in ESA2010 paragraphs 20.205-20.207. It is recalled, that the ESA2010 Manual on Government Deficit and Debt chapter III.5 indicates that large and exceptional payments out of reserves which significantly reduce the own funds of the

corporation should be treated as superdividends, i.e. transaction in shares and other equity (a capital withdrawal). It also sets out that the resource available for distribution by a unit (a corporation) is the *distributable income* of the unit, as defined in the ESA2010, paragraph 4.55.

Total distributions could therefore comprise one part recorded as distributed income of corporations, D.42, and another recorded as transactions in equity, F.5. The former data is reported to Eurostat in ESA2010 table 2 and table 8 within “other property income” category, and the latter is included within transactions in equity in financial accounts. Within the latter, for the benefit of analysis, one should also distinguish between amounts received from the National Central Bank, and amounts received from other public corporations.

For *central government*, dividends are received by budgetary central government and by the SNCI. Dividends are paid both by public and private corporations.

The main dividend payments from public corporations are made to budgetary central government by the POST and by the BCEE. Both corporations belong 100% to central government. Other dividends are paid for instance by national and international banks (for instance BNP Paribas), the satellite company SES, the electricity companies Encevo (formerly Enovos/Cegedel) and Creos, as well as the steel companies Arcelor and APERAM.

The IGF and the State Treasury provide detailed information on the dividends paid to budgetary central government. Information on dividends paid to the SNCI is included in the SNCI accounts and in the annual reports of the corporation.

For *local government*, the amounts are negligible. The large majority of dividends are received by the municipality of Luxembourg, but the total amount is split into dividends by functional code (e.g. electricity and gas).

For *social security funds*, the investment vehicle of the public establishment Fonds de compensation publishes annual reports at the following website: <http://www.fdc.lu/rapports-annuels/>

As for the super-dividend test, ESA2010 § 4.55 defines super-dividends as “dividends that are large relative to the recent level of dividends and earnings”. To assess whether dividends are large in comparison to earnings, the same paragraph stipulates to use the concept of “distributable income”.

Even without applying the super-dividend test, it is clear that for Luxembourg the dividends received are no super-dividends insofar that the time series are not disturbed by extraordinarily large payments in a single year. Anyhow, it seems advisable to apply the test nonetheless. For this purpose, the total dividends distributed to shareholders are compared to three concepts of profit:

- EBITDA – earnings before interest, taxes, depreciation and amortisation;
- EBIT – earnings before interest and taxes; and
- net profit of the year.

The information is provided by the annual consolidated accounts of the corporations published at the business register. As test, total dividends distributed to shareholders are divided by these three concepts of earnings respectively.

For the two public corporations owned by budgetary central government, the total amount paid to government is the total amount of dividends distributed. For the other corporations the dividends paid to government are no super-dividends as in principle the ratios calculated are below 100%, and therefore the dividends are not financed by reserves. For some private companies though, there are some ratios that are slightly higher than 100%, but still it is obvious that the dividends should not be classified as super-dividends. The amounts that exceed 100% are negligible, and they appear only if the strictest of the three concepts is applied, i.e. net profit.

The tests are not done in a systematic way, but as the number of big (more than 0.01% of GDP) dividends that government receives is very limited, the appearance of a super-dividend would not go unnoticed.

Until now, no super-dividends have been paid to general government in Luxembourg.

### **7.5. Privatization**

The accounting rules are set out in ESA2010 paragraphs 20.210-20.213. The proceeds collected by government when disposing of shares in public corporations are often called privatization proceeds. The counterpart entity (i.e. the acquirer of shares) is the private sector. Privatization can be indirect when the proceeds are forwarded to government after the sale of a subsidiary. The MGDD chapter V.2 indicates that such indirect privatization proceeds are not government revenue. MGDD chapters V.3 and chapters V.4, respectively, provide the guidance on the treatment of privatisation proceeds from public corporations and restitution and use of vouchers for privatisation.

Specifically, chapter V.3.1 of the ESA2010 Manual on government deficit and debt mentions that in some EU Member States, holding companies have been set- up by the government to restructure the public sector with the aim of making the enterprises more competitive and profitable and, in the long run, disengaging the government. Often their main activity is to organise the privatisation efficiently and transfer the proceeds of the sale of shares to other public corporations (owned by the holding company or not), through grants, loans or capital injections.

The main issue is: what is the relevant sector classification of this sort of unit managing privatisation and possibly making grants to other enterprises? Should this activity been considered as taking place on behalf of the government?

No privatization proceeds have been observed.

## 7.6. Public Private Partnerships

The term “Public-Private Partnerships” (PPPs) is widely used for many different types of long-term contracts between government and corporations for the provision of public infrastructure. In these partnerships, government agrees to buy services from a non-government unit over a long period of time, resulting from the use of specific “dedicated assets”, such that the non-government unit builds a specifically designed asset to supply the service. The accounting rules are set out in ESA2010 paragraphs 20.276-20.282 and clarified in the Chapter VI.4 of the ESA2010 Manual on government deficit and debt.

The key statistical issue is the classification of the assets involved in the PPP contract – either as government assets (thereby immediately influencing government deficit and debt) or as the partner’s assets (spreading the impact on government deficit over the duration of the contract). This is an issue similar to the one of distinguishing between operating leases and finance leases, which is explained in Chapter 15 of ESA2010.

As a result of the methodological approach followed, in national accounts the assets involved in a PPP can be considered as non-government assets only if there is strong evidence that the partner is bearing most of the risk attached to the asset of the specific partnership. In this context, it was agreed among European statistical experts that, for the interpretation of risk assessment, guidance should focus on three main categories of risk: “construction risk” (covering events like late delivery, respect of specifications and additional costs), “availability risk” (covering volume and quality of output) and “demand risk” (covering variability of demand).

PPP assets are classified in the partner's balance sheet if both of the following conditions are met: the partner bears the construction risks and the partner bears at least one of either availability or demand risk, as designed in the contract.

If the conditions are not met, or *if government assumes the risks through another mechanism*, (e.g. guarantees, government financing) then the assets are to be recorded in the government's balance sheet. The treatment is in this case similar to the treatment of a financial lease in national accounts requiring the recording of government capital expenditure and borrowing. In borderline cases it is appropriate to consider other criteria, notably what happens to the asset at the end of the PPP contract.

As described above, public-private partnerships in this context are PPPs as defined in chapter VI.4 of the MGDD 2016. The term of PPPs refers to long-term contracts in which government pays to a non-government partner all or a majority of the fees under a specific contractual arrangement, thus covering most of the total cost of the service provided. The final users do not pay (or only for a minor part) for the use of the assets for which a service will be provided.

In Luxembourg, PPP contracts mainly relate to administrative buildings, schools, museums and sports infrastructures. Most of these PPP contracts have in common that the financing of the projects is determined by the guarantee law. Accordingly, the projects are in general financed via the special fund for the guarantee law.

The guarantee law is a law of April 13th, 1970, determining the conditions on how government can either buy certain buildings which are of public interest or guarantee return and rent expenses of such buildings. Government is authorised to guarantee (for a maximum of 25 years) rent return and expenses of existing or future buildings used for administrative or

social purposes or used to facilitate accommodation of international institutions in Luxembourg. Government is further authorised to conclude a lease-purchase contract or a contract with purchase option. Government can also reserve for itself the right to pre-emption. In the case of a lease-purchase contract, government payments are to be based on calculations for an amortisation period of at least 15 years.

The special fund for the guarantee law has been created by the State budget law of 1997 but has been modified several times. It has been created to finance expenses related to lease-purchase contracts concluded according to the guarantee law as well as expenses due to the rent of buildings destined to host international institutions and for which government has a purchase option. Revenue of the special fund comes either from budget appropriations or from rent paid by the institutions that use the buildings in question. Before 1999, PPP contracts were financed by the State budget. In 2001, the lease-purchase contracts managed until then by the public establishment “Fonds d’urbanisation et d’aménagement du Plateau du Kirchberg” have been added to the special fund.

The lease-purchase contracts between government and the private partner contain in general the following features:

First, the private partner creates a real estate company specifically for the purpose of the PPP. Government does not participate in this new corporation. The real estate company will be the legal owner of the PPP asset to be built.

Then, government and the new corporation sign a convention about the concession of surface rights, usually containing the following elements:

- the new real estate company will build the asset on land belonging to government;
- government commits to renting the asset for a determined time period, usually 20 years;
- surface rights and the authorisation to build the asset are granted to the company for the duration of the lease-purchase contract;
- at the end of the contract, government becomes the legal owner of the asset.

Another document signed by government and the company is the lease-purchase convention containing the following features:

- according to the preamble of the contract, government, though only the lessee of the asset for the duration of the contract, will act as the owner of the asset; in return, the real estate company, although the legal owner of the asset, will not bear the expenses nor the risks normally borne by the legal owner;
- in the contract, annual rent is defined as the annual amount necessary to reimburse over a determined period of time the principal and interest of the loans granted to the corporation by financial institutions;
- the contract defines administrative management fees that government commits to paying to the company for the duration of the lease-purchase contract.

The real estate company either has the assets in its accounts only for the duration of the construction period or not at all. If not, the company books an outstanding claim vis-à-vis government. This claim corresponds to the debt towards a financial institution. In return, government pays an annual “rent” to the real estate company.

Whenever government signs contractual agreements according to the dispositions of the guarantee law, it is clear that government – though not the legal owner of the asset – always bears the majority of the risks of the PPP. Therefore, government is the economic owner and the asset has to be classified on the government balance sheet.

In national accounts, these assets are on the government balance sheet. The real estate company and its investment are classified inside central government. As a consequence, the loans that the company is granted by financial institutions are included in government debt.

The contracts are provided to STATEC by the IGF. On the basis of these contracts, STATEC assesses the risks and decides on the classification of the real estate company and the treatment of the PPP's asset, debt and impact on deficit in national accounts.

### 7.7. Financial derivatives

This part describes the use of financial derivatives and the recording of derivative related flows in EDP tables and national accounts.

Regulation (EU) No 549/2013 of the European Parliament and of the Council of 21 May 2013 on the European system of national and regional accounts in the European Union does not distinguish between the ESA and EDP definition of interest. The Regulation No 549/2013 paragraph 4.47 reads: *Payment resulting from any kind of swap arrangement is recorded as a transaction in financial derivatives in the financial account, and not as interest recorded as property income. Transactions under forward rate agreements are recorded as transactions in financial derivatives in the financial account, and not recorded as property income.*

ESA2010 paragraph 20.133 specifies the treatment of so called of market swaps: *“Lump sums exchanged at inception on off-market swaps are classified as loans (AF.4) when the lump sum is received by government. Off-market swaps are partitioned in the balance sheet into a loan component and a regular, 'at-the-money' swap component.”*

#### 7.7.1 Types of derivatives used

Derivatives are mainly used for hedging and risk management purposes, or in other words for management of exposures to interest rate risks, foreign currency risks and others risks.

The main types of derivatives employed are:

- forward foreign exchange contracts: which are designed to protect against interest rate or exchange rate changes;
- swap contracts: which like forward rate agreements hedge against interest rate or exchange rate changes; and
- to a lesser extent options contracts and other future contracts.

In budgetary *central government* derivative contracts are not used, except for the selective hedging against exchange rate changes (e.g. related to equity transactions) by the State Treasury.

In extra-budgetary *central government* derivatives are mainly used by the sovereign wealth fund FSIL for hedging the reserves.



*In local government* derivatives are not used.

*In social security funds* derivatives are mainly used by the investment vehicle of the National Pension Insurance Fund for hedging the reserves.

### **7.7.2 Data sources**

In budgetary *central government* cash data provided by the Treasury is used.

In extra-budgetary *central government* and *social security funds* accrual based financial statements are the data source for derivatives.

### **7.7.3 Recording**

In national accounts, derivatives are reported on the assets side only according to ESA2010 §5.229. Net settlement payments under swap contracts are recorded as financial transactions. Further subscription rights transactions are also recorded as options (F.711).

No off-market swaps are used in Luxembourg.

## **7.8. Payments for the use of roads**

The main issue is whether payments for road, both in the case of tolls and vignettes, should be considered as sale of services or as a tax, when the infrastructures are owned by public units. The issue is important also because the classification of payments made for the usage of roads, either as sales or taxes, influences the assessment of the 50% criterion, which is fundamental for the purpose of assessing whether a given institutional unit (in some cases, a government-controlled entity receiving the payment of the toll or vignette) is a market or a non-market producer.

Payments for the use of roads will generally be classified as a sale of a service in the case of tolls. They will also be classified as a sale of a service in the case of vignettes whenever users have sufficient choice both in terms of selecting specific roads and of choosing a determined length of time for the vignette.

There are no road tolls in Luxembourg.

## **7.9. Emission permits**

There are two main trading systems, where European Union Member States can participate:

The Kyoto Protocol is a 1997 international treaty which came into force in 2005. In the treaty, most developed nations agreed to legally binding targets for their emissions of the six major greenhouse gases.[33] Emission quotas (known as "Assigned amounts", AAUs) were agreed by each participating 'Annex 1' country,

The European Union Emission Trading Scheme (or EU ETS) is the largest multi-national, greenhouse gas emissions trading scheme in the world. It is one of the EU's central policy instruments to meet their cap set in the Kyoto Protocol. The so-called EU emission Allowance (EUA) is traded.

The ESA2010 MGDD part VI, chapter VI.5 is dealing with the statistical recording of the emission trading allowances.

Emission trading allowances or permits are managed in the central government special fund for climate and energy – “Fonds Climat et Energie”.

The acquisition is a purchase of allowances from other European (Baltic) countries via bilateral agreements. The purchases are recorded as acquisition of non-financial non-produced assets (NP.2), as stipulated by the MGDD 2016 VI.5.

The disposal is the sale of allowances to resident corporations. The sale is recorded as other taxes on production (D.29), according to the stipulations of the MGDD 2016 VI.5.

For the time being, no accrual adjustments are implemented, as the amounts recorded as other taxes on production are negligible and the impact of an accrual adjustment would be more than negligible.

## **7.10. Sale and leaseback operations**

Government sells an asset and immediately leases it back from the purchaser. The issue is whether the sale is to be considered as a "true sale" (transaction in GFCF improving B.9) or the transaction is to be treated differently and an asset should remain on government's balance sheet.

MGDD part VI, chapter VI.2 is dealing with sale and lease back operations

No sale and leaseback operations have been observed.

## **7.11. Securitisation**

Securitisation is when a government unit transfers the ownership rights over financial or nonfinancial assets, or the right to receive specific future cash flows, to a special-purpose vehicle (SPV) which in exchange pays the government unit by way of financing itself by issuing, on its own account, asset backed bonds.

The classification of the proceeds received by government as disposal of an asset may lead to an impact on the government deficit, when the asset is a nonfinancial asset or if it is determined that a revenue should accrue. All securitisation of fiscal claims should be treated as borrowing, as well as all securitisation with a deferred purchase price clause and all securitisation with a clause in the contract referring to the possibility of substitution of assets. Also if the government compensates the SPV ex-post, although this was not required according to the contract, the operation should be reclassified as government borrowing.

ESA2010 paragraphs 20.260-20.271 establish securitisation operations accounting rules. The MGDD part V, chapter V.5 and the Eurostat decision of 25 June 2007, "[Securitisation operations undertaken by general government](#)" are dealing with securitisation operations.

There have not been any occurrences of securitisation operations for Luxembourg.

## **7.12. UMTS licenses**

The sale of UMTS licenses is to be recorded as the sale of a non-financial asset (the license) at the time the license is allocated. Thus, sale proceeds have a positive effect on B.9 in the

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year when the license is allocated. The actual payment of cash payment does not influence the recording of this transaction.

In some special cases, the sale of UMTS could be seen as a rent for the use of a non-financial asset, recorded over the life time of the license. In this case, the impact on government B.9 is spread over the duration of the license.

The ESA2010 MGDD part VI, chapter VI.1 and Eurostat decision of 14 July 2000 on the allocation of mobile phone licences (UMTS) are dealing with the sale of UMTS licenses.

UMTS licenses are recorded as rent (D.45) according to the MGDD 2016 (Box 1 p. 316), as the permit/licence is not transferable.

### **7.13. Transactions with the Central Bank**

The management of asset portfolios and interventions in foreign exchange markets for monetary policy purposes may generate capital gains for central banks which are liable to be distributed to general government. The amounts involved may sometimes be very large. Capital gains are not income in national accounts and therefore payments to government financed out of capital gains cannot be recorded as property income but have to be recorded as financial transactions.

It also proposes to apply the rules on capital injections when government makes a payment to the Central Bank. Such payments by government may be made to cover losses made by the Central Bank. Capital losses may occur due to foreign exchange holding losses. Operational losses may occur due to the fact that interest and other operational income do not cover operational costs made by the central bank. Capital losses can not be recorded as equity injection, therefore capital gains and losses are somehow not treated symmetrically. This asymmetrical treatment is nevertheless justified for the purpose of appropriately measuring government deficit.

The profit of the BCL would theoretically be transferred to *central government*, but following an agreement with the State, the BCL keeps the profit and thus no amounts are transferred. In the case where amounts would be transferred, these transactions between central government and the BCL would be recorded as property income (D.4). The super-dividend test would be applied to check whether the paid dividend exceeds the profit of the BCL.

### **7.14. Lump sum pension payments**

ESA2010 paragraphs 20.273-20.275 define the accounting rules for recording of the lump sum pension payments. The related accounting rules are further described in the ESA2010 MGDD and debt Part III.6 Impact on government accounts of transfer of pension obligations.

There have been no occurrences of lump sum pension payments in Luxembourg.

### **7.15. Pension schemes**

The social security pension insurance in Luxembourg is intended to protect against the three risks of old age, disability and survival.

There are 3 different kinds of schemes of social security pension schemes:

- the general pension scheme, which covers most of the working population;

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- special pension schemes, for instance public pension schemes primarily for civil servants of central government, local government and social security funds administrations, for employees of the national railway company (SNCFL); and
- pension schemes of different international bodies (e.g. EU institutions) which manage themselves the pensions of the civil servants who have worked for those institutions.

The social security pension scheme is financed on a pay-as-you-go basis, i.e. the amounts paid by the contributors (employees and employers) are not saved or invested but are used to pay current pension obligations, except for the pensions reserves of the general pension scheme.

### **General pension scheme**

The general pension scheme covers the private employees in private and public sector, i.e. more or less 90% of the population working in Luxembourg. In the context of the general pension scheme, three different kinds of benefits can be identified:

#### Personal pensions

The right to an old-age pension is defined by the age of a person and the duration (or periods) of adherence to the pension insurance. The periods of adherence taken into account are:

- the mandatory pension insurance periods, i.e. periods that the person has paid mandatory social contributions (contributory years);
- the complementary periods (non-contributory years), e.g. baby-years or years of study; and
- voluntary pension insurance periods (contributory years), i.e. periods that social contributions are voluntarily paid for or bought back retro-actively.

The sum of these mandatory and voluntary periods are called effective periods.

The legal age of retirement in Luxembourg is 65 years, on condition that at least 10 years of effective periods in the pensions insurance are accomplished. In addition, if different conditions of age and effective periods are fulfilled, there exists the possibility of being granted anticipated old-age pensions. Finally, an insured person can be granted a disability pension after prolonged sickness or disability.

#### Survival pensions

Under certain conditions, the survivor of an insured partner can be granted the “pension for a surviving partner”. Accordingly, the legitimate children of a deceased person who was insured are granted an orphan’s pension.

#### Other benefits financed by the social security pension fund

The special fund for employment finances early retirement. If the insured person would have the right to an anticipated old-age pension, these funds are also reimbursed by the social security pension fund.

The social security institution responsible for the general scheme of pensions is the national pensions fund “Caisse nationale d’assurance pension – CNAP”. The CNAP is responsible for all the insured in the context of the general scheme, except for employees of the BCL.

The CNAP was created in 2009 by the merger of several pensions funds:

- Caisse de pension des employés privés (CPEP);

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- Caisse de pension des artisans, des commerçants et industriels;
- Caisse de pension agricole;
- Etablissement d'assurance contre la vieillesse et l'invalidité.

The social contributions are collected by the Centre Commun de Sécurité Sociale.

The public establishment “Fonds de compensation commun au régime général de pension” (FDC) is responsible for the management of the assets of the pension insurance, i.e. the pension reserves.

### **Special pension schemes**

The special pension schemes cover the same risks as the general scheme. For persons employed before 1999, the law of the 25<sup>th</sup> of March 2015<sup>22</sup> created a transitory special scheme. Since the public pension system has been reformed in 1999, there exist two distinct pension schemes:

- On one hand, the original scheme, now known as the transitional special pension scheme, concerns civil servants and persons treated as such who were in post on 31 December 1998 or had been appointed by that date. Here, pension benefits are calculated based on the final salary earned by the civil servant.
- On the other hand, the new special pension scheme essentially corresponds to the general pension scheme, diverging only in a few selected procedural and funding arrangements. It applies to civil servants who entered the public service after 31 December 1998. The new special pension scheme retains the status of a special scheme, but it is based on the same principles as the general scheme with the exception of the absence of an income ceiling for the assessment of contributions.

The special schemes are financed through budget appropriations. The persons contribute to the financing by way of an amount of 8% of the salary being withheld. The 8% are the equivalent of the amounts withheld on salaries in the general pension scheme.

### **Supplementary pension schemes**

The law provides for a statutory framework designed to protect the rights of employees and to put the various supplementary pension schemes on the same fiscal footing; these schemes are either internally funded by companies through provisions in the balance sheet or externally funded in the form of a pension fund or group policy.

Every company is free to establish one or more supplementary pension schemes and to determine their organisational structure, the conditions of membership, the funding arrangements, the level of benefits, the ways in which benefits are assigned and the rules governing the amendment and termination of the scheme.

### **Individual pension plans**

A pension plan is a contract between an insurer and an individual. From a fiscal point of view, the cost of premiums paid into a pension plan is tax-deductible under certain conditions.

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<sup>22</sup> Loi du 25 mars 2015 instituant un régime de pension spécial transitoire pour les fonctionnaires de l'Etat et des communes ainsi que pour les agents de la Société nationale des Chemins de Fer luxembourgeois.

## D. Annexes

### I. Organisation chart of STATEC



### II. Taxes: data providers, time of recording and method of time adjustment

Explanations to the variables of the table:

- **Source:**
  - ACD – Administration des Contributions Directes
  - ADA – Administration des Douanes et Accises
  - AED – Administration de l'Enregistrement et des Domaines
  - IGF – General Finance Inspection (State Budget)
  - FS – Financial Statements of entities with separate legal identities
  - LG – Local Government (municipalities)
- **Frequency:**
  - A – basic data provided on an annual basis
  - M – basic data provided on a monthly basis
- **Time of recording:**
  - A – when the activities, transactions or other events occur which create the liabilities to pay taxes
  - C – when the payment takes place
  - D – when the fiscal debt is established
- **Method of time adjustment:**
  - A – detailed calculation
  - B – time adjustment of several months (-xM – minus x number of months)
  - C – no time adjustment

## Annexes

Tax	Label	Source	Frequency	Time of recording	Method of time adjustment
D2	TAXES ON PRODUCTION AND IMPORTS				
D21	Taxes on products				
D211	Value added type taxes				
D211	Value added tax	AED	M	A	A
D212	Taxes and duties on imports excluding VAT				
D2121	Import duties				
D2121	Import duties	ADA	M	A	A
D2122	Taxes on imports, excluding VAT and import duties				
D2122A	Levies on imported agricultural products				
D2122A	Levies on imported agricultural products	ADA	M	A	A
D2122C	Excise duties				
D2122C	Tax on the consumption of alcoholic beverages and spirits (part on imports)	ADA	M	A	A
D2122C	Autonomous excise duties on mineral oils	ADA	M	A	A
D2122C	Excise duties on mineral oils	ADA	M	A	A
D2122C	Supplementary tax on fuels	ADA	M	A	A
D2122C	Tax on control of domestic fuel	ADA	M	A	A
D2122C	Excise duty on liquefied petroleum	ADA	M	A	A
D2122C	Excise duty on benzene	ADA	M	A	A
D2122C	Excise duties on imports of tobacco	ADA	M	A	A
D2122C	Excise duties on imported alcoholic beverages	ADA	M	A	A
D2122C	Excise duties on imports of beers	ADA	M	A	A
D2122C	Excise duty on fermented fruit beverages	ADA	M	A	A
D2122C	Excise duties on fermented sparkling beverages	ADA	M	A	A
D2122C	Excise duty on sugar	ADA	M	A	A
D2122C	Excise duty on alcopops	ADA	M	A	A
D2122C	Excise duty on Kyoto	ADA	M	A	A
D214	Taxes on products, except VAT and import taxes				
D214A	Excise duties and consumption taxes				
D214A	Excise duties on nationally produced alcoholic beverages	ADA	M	A	A
D214A	Tax on the consumption of national alcoholic beverages and spirits	ADA	M	A	A
D214A	Excise duties on beers (part on national production)	ADA	M	A	A
D214A	Excise duties on tobacco (part on national production)	ADA	M	A	A
D214C	Taxes on financial and capital transactions				
D214C	Tax on sale of real estate	LG	A	C	C
D214C	Registration taxes	AED	M	A	B (-1M)
D214C	Mortgage taxes	AED	M	A	B (-1M)
D214C	Mortgage tax on salaries	IGF	A	C	C
D214D	Car registration taxes				
D214D	Car registration taxes	AED	A	C	C
D214E	Taxes on entertainment				
D214E	Entertainment tax	LG	A	C	C

## Annexes

D214F	Taxes on lotteries, gambling and betting				
D214F	Tax on casino gambling (to central state)	ACD/LG	M	A	B (-2M)
D214F	Tax on casino gambling (to local government)	ACD/LG	M	A	B (-2M)
D214F	Tax on national lottery	ACD	M	A	B (-1M)
D214F	Tax on betting stakes on sporting events	ACD	M	A	B (-1M)
D214G	Taxes on insurance premiums				
D214G	Tax on insurance	AED	M	A	B (-1M)
D214G	Special tax for insurers in the interest of the rescue service	IGF/AED	M	C	C
D214H	Other taxes on specific services				
D214H	Tax on construction in dense sectors	LG	A	C	C
D214H	Tourist tax	LG	A	C	C
D214H	Tax on licenced premises	ADA	M	A	B (-1M)
D214L	Other taxes on products not elsewhere classified				
D214L	Supplementary tax on electricity	ADA	A	C	B (-2M)
D214L	Tax on distribution of electricity	ADA	A	C	B (-3M)
D214L	Tax on production of electricity	IGF	A	C	C
D214L	Tax on natural gas consumption	ADA	A	C	C
D214L	Tax on water	IGF	A	C	C
D29	Other taxes on production				
D29A	Taxes on land, buildings or other structures				
D29A	Taxes on ownership of lands and buildings	LG	A	C	C
D29A	Tax on secondary residence	LG	A	C	C
D29B	Taxes on the use of fixed assets				
D29B	Motor vehicle duties payed by enterprises	ADA	M	D	A
D29B	Ship registration tax	IGF	A	C	C
D29E	Business and professional licences				
D29E	Tax on peddling	LG	A	C	C
D29F	Taxes on pollution				
D29F	Emission permits	IGF	A	C	C
D29G	Under-compensation of VAT (flat rate system)				
D29G	Under-compensation of VAT (flat rate system)	AED	A	C	C
D29H	Other taxes on production not elsewhere classified				
D29H	Tax on enterprise register	AED	A	C	C
D29H	Levies to ECCS	Other	A	C	C
D29H	Holding tax	AED	M	A	B (-3M)
D29H	VAT reclassified as tax on production	AED	A	C	C
D29H	Contributions to FGDL	FS	A	C	C
D29H	Contributions to FRL	FS	A	C	C
D5	Current taxes on income wealth, etc.				
D51	Taxes on income				
D51M	Taxes on individual or household income including holding gains				
D51M	Taxes on individual or household income including holding gains				
D51A	Taxes on individual or household income				
D51A	Tax on wages and salaries	ACD	M	A	B (-1M)



## Annexes

D51A	Tax on certain income of non-residents	ACD	M	D	B (-1M)
D51A	Personal income tax - fixed by assessment	ACD	M	D	B (-2M)
D51A	Supplementary solidarity income tax	ACD	M	D	B (-2M)
D51A	Withholding tax on income from capital	ACD	M	D	B (-1M)
D51A	Tax on royalties	ACD	M	D	B (-1M)
D51A	Tax on revenue on savings (residents)	ACD	M	D	B (-1M)
D51A	National liberating tax on interest	ACD	M	D	B (-1M)
D51A	Crisis Tax	ACD	M	D	B (-2M)
D51A	Temporary budgetary balance tax	ACD	M	C	C
D51B	Taxes on the income or profits of corporations				
D51B	Corporation tax	ACD	M	D	B (-2M)
D51B	Supplementary solidarity corporation tax	ACD	M	D	B (-2M)
D51B	Trade tax	ACD	M	D	B (-1M)
D59	Other current taxes				
D59A	Current taxes on capital				
D59A	Wealth tax	ACD	M	D	C
D59A	Tax on ownership of land without buildings	LG	A	C	C
D59F	Other current taxes not elsewhere classified				
D59F	Stamp duties	AED	M	A	B (-1M)
D59F	Tax concerning foreign affair departments	IGF	A	C	C
D59F	Chancellery stamps	LG	A	C	C
D59F	Dog tax	LG	A	C	C
D59F	Motor vehicle duties payed by households	ADA	M	D	A
D91	Capital Taxes				
D91A	Taxes on capital transfers				
D91A	Inheritance duty	AED	M	D	B (-1M)